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Post-War Inflation Not Likely: Nadler

Speaking at the 38th Annual Convention of the American Spice Trade Association at the Hotel Astor, New York, May 10, Dr. Marcus Nadler, Professor of Finance, New York University, expressed the opinion that, although inflation has followed every major war, the situation is not likely to occur following the present conflict.


Dr. Marcus Nadler

"None of the predictions that the war would bring about a sharp increase in the prices of commodities have materialized," Dr. Nadler stated. Continuing, he said, "while commodity prices have risen materially from the level prevailing in 1939, the index of wholesale prices as published by the Bureau of Labor Statistics is only 4% higher than that of 1926. Instead of spending their increased income the people of the

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IN THIS ISSUE

Special material and items of interest with reference to dealer activities in the States of Connecticut, Michigan and Missouri appears in this issue.

For Connecticut and Michigan see page 2034; Missouri on page 2035.

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More Railroad Riddles

By FAIRMAN R. DICK*
Of Dick & Merle-Smith, New York

Investment Dealer Maintains Pessimism Regarding Rails Ignores Increased Operating Efficiency As A Favorable Factor In Earning Capacity—Does Not Look For Post-War Decline In Revenues Such As Occurred In The 'Thirties—Unlike After Last War, The Roads Are In Fine Physical Shape And Given A Proper Level Between Rates And Wages Can Meet Post-War Difficulties.

Six years ago, in 1938, I addressed a convention of this Association held at Atlantic City. I called my talk "The Riddle of the Railroads" and the riddle I propounded was this:


Fairman R. Dick

"When is a corporation both the weakest and the strongest at one and the same time?" The answer was: "When the corporation is a railroad."

At that time, the ninth year of the depression, it was believed almost universally that railroad earning power had become so impaired, due to new forms of competition, that it was no longer possible for our railroads to charge a price for service rendered sufficiently high even to maintain financial health. With but few exceptions, the entire industry was supposed to be headed for bankruptcy. At the very same time, however, the railroads were shackled by various regulatory

*An address delivered before the War Conference of the New Jersey Bankers' Association, May 12, 1944.

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Savings Banks In Peacetime

By DR. ERNEST MINOR PATTERSON*
Professor of Economics, University of Pennsylvania

Economist Feels Large Holdings Of Government Bonds Should Lead Banks To Favor High Taxation And Stable Interest Rates And Strict Economy In Government.

Your program committee has chosen as the general theme for this two-day meeting "The Future Effect of Accumulated Savings." The topic is a recognition of the growth in the deposits of the institutions here represented to the new peak of $11,707,025,048 by the end of 1943 and in their assets to $13,042,831,668. The suggestion that this paper be devoted to a consideration of the broader world scene shows your conviction that those ressponsible for the management of our savings banks


Ernest M. Patterson

can not safely ignore the extent to which economic and financial operations in our own country are now closely related to conditions in the rest of the world. Only the most obtuse or those blinded by narrow political considerations can dismiss the expression "One World" by calling it "globaloney."

There are two basic tests to be applied. One is that the depositors in savings banks may properly expect that their funds be invested in such a way that, after due notice, they may receive from the banks the number of dollars they have deposited plus accrued interest. This places on manage-

*An address delivered by Dr. Patterson before the National Association of Mutual Savings Banks at the Hotel Waldorf Astoria, New York City, May 11, 1944.

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A One-Way Credit Structure: The International Stabilization Fund

By DR. MELCHIOR PALYI

Economist Holds The Substance Of The Present Proposed International Stabilization Fund Is To Throw The Gold Standard Overboard. Says It Accepts International Disequilibrium And Sanctions Its Permanence.

The recently issued Joint Statement by the Monetary Experts of the thirty-three United Nations about the establishment of an International Stabilization Fund is largely a compromise between the White and Keynes plans. The underlying principles are exactly the same as in those plans. But a few points of great importance have been clarified or brought out more forcefully than before, carrying the idea of an international currency management to some of its logical conclusions. Perhaps the most unusual "clarification" is offered by legalizing, in advance, the default of a debtor-member.


Dr. Melchior Palyi

Debtors Free to Default

The White plan implied, and the Keynes plan definitely stated, that the idea of an international pool is to utilize the export sur-

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Electric Power In Days To Come

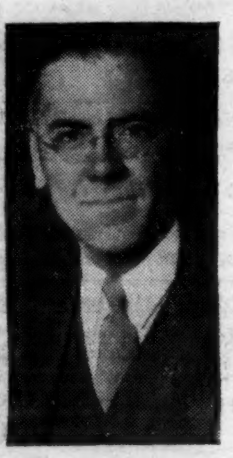
By HUGH C. THUERK *

President, New Jersey Power and Light Company

Chairman, Committee on War Planning, Edison Electric Institute

Utility Executive Sees Encouraging Prospects For The Electric Industry After War. Believes Reduction Of Revenues From War Industries Will Be Offset By Large Domestic Load Furnishing Higher Rates. Holds Danger To Private Industry If Government Expands Its Power Projects Since "No Business Faced With Increasing Governmental Competition Can Remain Healthy Under Present Tax Handicap."

There stands today no institution more symbolic of strong, virile American life than the savings bank. Coming into existence almost at the birth of this nation, it stands for that inherent desire of our people to achieve increased security and independence by their own efforts. For years it nas assumed leadership in spreading the philosophy of thrift, one of the basic forces in our economy.



H. C. Thuerk

The United States has become great through the development of this philosophy. Under its influence, the workers of this nation have accumulated the funds which have built America. These funds have constructed great railroads, industrial enterprises, private and public institutions of learning, and thousands of other useful projects. We in the electric light and power industry can appreciate these accomplishments because a large portion of these savings has been used to build our own industry.

The adage of saving "for a rainy day" has been supplemented with the motto "save for happier days" with the result that through thrift our people now have comforts unthought of but a few years ago. And so it is but another evidence of your stewardship that you should be interested in analyzing now the future effect of accumulated savings and what will be the opportunities for putting those savings to work for the benefit of

*An address delivered before the National Association of Mutual Savings Banks, Hotel Waldorf Astoria, New York City, May 12, 1944.

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Taxation After The War

By HARLEY L. LUTZ *

Professor of Public Finance, Princeton University

Prominent Tax Expert Urges A Post-War Balanced Budget As A First Consideration In A Tax Policy. Warns No Ambitious Or Costly Government Projects Involving Heavy Taxation Should Be Undertaken. Says Personal Income Taxes Should Be Lowered And Corporation Taxes "Should Be Geared To The Normal Or Standard Rate On Individual Incomes."

In one sense, the discussion of taxation after the war, to be most helpful, should be related to the federal budget after the war. That is, we should decide, or we should at least have some opinion, about a balanced budget, and about the level of the federal expenditures. Otherwise, there can be no common meeting ground for a consideration of the extent and the character of the changes that can be made in the war tax structure.

Dr. Harley Lutz

To be sure, there are those who assure us that we need not be concerned about the relation between the budget and the taxes. According to this doctrine, we should simply plan to collect whatever may be con-

*An address delivered before the Philadelphia Control of the Controllers Institute of America, May 4, 1944.

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W. R. Jones V.-P. Of Schroder Rockefeller

Schroder Rockefeller & Co., Incorporated, 48 Wall Street, New York City, announce the organization of a United States Government Bond Department and the appointment of William R. Jones as Vice-President to head the department. Prior to setting up his own Government bond business under the name of W. R. Jones & Co., New York, Mr. Jones was with the Chemical Bank & Trust Company and the New York Trust Company. The firm of W. R. Jones & Co. is retiring from the Government bond business.

Batchelder Director Of First Boston Corp

At the regular monthly meeting of the board of directors of The First Boston Corp., held in New York, at their offices at 100 Broadway, Charles F. Batchelder of New York was elected a director of the corporation to fill a vacancy on the board.

Chas. F. Batchelder

Mr. Batchelder retired as a Vice-President of the Chase National Bank on March 31, 1944. He is President and a director and member of the executive committee of the Lincoln Building Corp., a director and member of the executive committee of the Ruberoid Company and a director of the Consolidated Textile Co.

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NOTE—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Regulation And The Democratic Concept

Although not naming us specifically, a financial publication in a recent article entitled "The NASD 5% Policy and Democratic Principles," makes unmistakable reference to our policy in opposition to the "5% spread philosophy."

We acknowledge with thanks the reference to us as ". . . . one of the oldest and most highly-respected of American financial publications . . .," and regret that a spirit of truth and fair play which has always actuated our editorial policy compels us to add that the authors of that article misapprehend the basic considerations involved in the "5% philosophy" of which they write.

Their reference to "the National Association of Securities Dealers' policy or " 'philosophy' on profit margins" is unfortunate because the "5% rule" deals with spreads between the purchase and the sales prices of securities and, strictly speaking, is not based on consideration of uniform profit margins, although, where there are profits at all, it has the effect of a profit limitation rule. We say where there are profits at all, because many over-the-counter houses, especially those employing salesmen, have found that their overhead exceeds 5% in many cases, and the strict enforcement of this "philosophy" means their demise. Quaint, isn't it, the prospect of this type of sacrifice on the altar of "philosophy?"

The article acknowledges that the controversy over the NASD 5% policy "continues to smoulder or to rage—as the TEMPERAMENT of the contestants dictate. . . ." It seems to us that here the word "temperament" is an inexcusably weak sister. An opposition which envisages the involvement of the unhampered right to choose one's business, and the survival therein, lays emphasis upon the basic freedoms involved. What rages is not a fit but a fight, not a fit of temperament, but a fight supported in opinion by a vast majority of securities dealers in this country, both large and small, as our poll has indicated—a fight to exterminate from the American scene an alien doctrine destructive of our freedom. NOW it affects the securities field. If permitted to proceed unchallenged, this erroneously named "philosophy" will spread into all other industries.

We quote:

"One may, on the other hand, wish that so much advertising of high profit margins had not been necessary. It isn't doing our trade any good in its public relations."

It has always been our belief that to solve a problem is first to meet it squarely, to turn the unsparing and

(Continued on page 2035)

"Our Riskless" Economy

President Of IBA Lays Down Five-Point Program To End "Era Of Riskless Investing," viz.: (1) Amend SEC Acts To Permit Free Flow Of Capital; (2) Abolishing Compulsory Bidding And Private Placement Of Non-registered Issues; (3) End Double Taxation On Venture Capital; (4) Repeal Capital Gains Tax; And (5) "Administer A Good Dose Of Optimism And Faith In The Future"

A five-point program to enable investment bankers to end what he termed the "stagnation of capital" and the era of "riskless investing" was outlined in New York on May 12 by John Clifford Folger, President of the Investment Bankers Association of America. Speaking before a meeting of the National Association of Mutual Savings Banks at the Waldorf - Astoria Hotel, Mr. Folger addressed his remarks to commercial bankers, investment bankers, and investors, as much as to the mutual savings bankers in his audience.


John C. Folger

"I should say," Mr. Folger said, "that the members of this association have met their responsibilities very well indeed. Out of a considerable quantity of data made available to me, I find evidence of prudent handling of funds. The whole subject seems quite simple and fool-proof. I wonder if all banking has not become over-simplified? Can our economy thrive and flourish upon the present 'riskless' basis for investments?

"You represent almost $14 billions of funds. You apparently have reached a present formula of disposing of these assets by

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NASD "5%" Rule Shatters Post-War Outlook For Small Business

Narrow Profit Limit Will Make It Impossible For Small Enterprises To Obtain Capital, Dealers Contend

In all discussions centering on the need for maintaining full employment and a high level of national income in the post-war period, a cardinal principle considered indispensable to such attainments is the development and growth of small business. Recognizing this basic necessity, various committees of Congress are now studying ways and means to assure enterprise in this category every possible aid and assistance. In view of this policy, it is difficult to reconcile the disinterest in the future of small business manifest in the National Association of Securities Dealers' 5% mark-up rule. Nevertheless, it is obvious that the existence of this rule will have a materially damaging effect on smaller enterprises, as it will make it virtually impossible for dealers in securities to develop and maintain the markets for securities of less well known corporations. As capital is the life-blood of business—large or small—it is not difficult to envisage the threat that the rule poses to the economic structure of the nation.

This fact has been emphasized in the many comments that have appeared in these columns, representing the views

(Continued on page 2047)

Jobs—Our No. 1 Post-War Problem

By WILLIAM T. CHILDS*
Of Stein Bros. & Boyce, Baltimore
President of the Advertising Club of Baltimore

Banker Holds Business, Especially Small Business, Must Be Subsidized By Government If It Is To Survive And Provide Employment—Plan Must Be Evolved Whereby Government May Operate Within Its Income, And Yet "Not Dry Up The Life Stream Of Business"—When Conversion Is Accomplished "We Shall Have The Greatest Period Of Prosperity This County Has Ever Known"

While it seems to be a foregone conclusion that Mr. Stalin, **in absentia** will dominate the peace table during the Armistice period, it is doubtful if anything he does will help America solve the practical problem which circumvents all our other economic problems, that which determines our standard of living, is the biggest factor in prosperity or depression, in inflation or deflation, in times of boom or panic, and which alone gives us Freedom from Want. I refer to the little four-letter word Jobs—a job in the post-war period for every man and woman willing and able to work; and without which there can be no peace, prosperity or happiness. Jobs is indeed our No. 1 Post-War Problem.

William T. Childs

The Truman Committee says:

"If the home economy is permitted to weaken and lose the resiliency necessary for quick and successful conversion to peace-time occupations, it will not be able to provide employment for soldiers and war workers when they are released from their present tasks. Should unemployment and business depression gain headway before the major task of readjustment has even begun, the difficulties of re-employment will be much greater."

Jobs, our No. 1 post-war problem, is a far greater problem than our post-war national debt of 300 billion dollars, equivalent to a debt of $8.500 against every family in the United States.

Jobs will immediately involve the 20 million people who will be laid off from work a month or so after the war ceases, because there will no longer be any need for new guns, planes, tanks and munitions; for nations will go out of the business of killing people—at least for awhile—and it will again be unlawful to take the life of man, whether he be German or Jap or Ally.

When the last deadly shot of World War II is fired, and the flag of the Armtistice floats from the bivouacs of the dead and the living, two great national demands will surge, with daily increasing momentum, from the war fronts of the world, and from every home in every hamlet, town, village and city in America in whose window there hangs a service flag. These two great national demands, aided and abetted by the nation's most powerful social and political organizations and blocs, are:

1st. The return home of enlisted men and women.

2nd. The expectation of an awaiting job with decent pay.

We hear much about ceiling prices. The other day a business man said to me: "Why not cellar wages?" That is something to beware of, that slave labor be not permitted to underbid legitimate standard wages.

There are 136 million Americans, about equally divided: 68 million men and 68 million women, of whom 9,900,000 men and 200,000 women are in the armed forces; 35,900,000 men and 16,700,000 women in the labor forces, a total of 52,600,000; or a grand total of 62,700,000 men and women in the armed forces and the labor forces.

Of our remaining 73,300,000 population, 16,500,000 are boys and 16,500,000 girls, 14 and under; 28,600,000 are women engaged in housework; while the remaining 5,700,000 men and 6,000,000 women are not employed by reason of age or physical or mental incapacity.

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*An address made before the Eastern Shore of Virginia Clearance House Association of Onancock, Va., May 9, 1944.

John B. Lewis Officer Of Bankers Trust Co.

S. Sloan Colt, President of Bankers Trust Co., announces that at a meeting of the Board of Directors, John B. Lewis was elected an Assistant Vice-President.

John B. Lewis

Mr. Lewis has been with Glore, Forgan & Co. as manager of their buying department for the past seven years. Prior to that he was President of American Houses, Inc., for three years and with the Guaranty Co. of New York for six years.

Mr. Lewis has been a member of Squadron A for the past five years, and is a member of the Down Town Association and the Piping Rock Club. He is on the membership committee of the Chamber of Commerce of the State of New York.

F. V. Nixon Joins Hopkins, Harbach Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Francis V. Nixon has become associated with Hopkins, Harbach & Co., 609 South Grand Avenue, members of the Los Angeles Stock Exchange. Mr. Nixon recently was with Quincy Cass Associates, and prior thereto was with Hopkins, Hughey & Co., the predecessor firm of Hopkins, Harbach. In the past he has conducted his own investment business in New York City, and has been associated with many Pacific Coast investment houses.

New Haven First And Refunding Bonds

Frederick M. Stern, Member of the New York Stock Exchange with offices at E. F. Hutton & Co., 61 Broadway, New York 6, New York, has prepared a memorandum on New York, New Haven & Hartford First & Refunding Bonds. A copy of this interesting study may be obtained from Mr. Stern upon written request.

Ball, Burge & Co. Is Formed; NYSE Firm

CLEVELAND, OHIO—The officers and directors of Ball, Coons & Co. announce the formation of a partnership, effective May 15, under the name of Ball, Burge & Co., members of the New York Stock Exchange. Offices will be continued in the Union Commerce Building.

Formation of Ball, Burge & Co. was previously reported in the Financial Chronicle of April 13.

"Experts" Monetary Stabilization Plan An International WPA: Taylor

Henry J. Taylor Says The British View Its Purpose "To Maintain A High Level Of Employment Throughout The World"—Would Halt Gold Exports

In radio broadcasts on May 5 and May 12, Henry J. Taylor, economist, world traveler and radio commentator, criticized the United Nations Experts' Plan for International Monetary Stabilization, describing it as merely an "international monetary fund," and not a stabilization scheme. He also strongly condemned the policy of permitting gold to leave the country. Part of Mr. Taylor's remarks on these topics follows:

Henry J. Taylor

"Dispatches from London tell more about the U. S. Treasury's big international bank proposal than the Treasury seems willing to tell itself.

"Now what Washington is calling an 'International Stabilization Plan' the British are calling an 'International Monetary Fund.' This is really a better name for it because it is not really a stabilization plan. In fact, how could it be, for it in no way assures any sound financial practice within the participating countries. Our British friends see, and say, that the so-called White Plan, named after one of Mr. Morgenthau's assistants in the Treasury, represents really a great credit institution. Now, the people of our country through taxation and loans would donate approximately 1-3 of the gross capital to this big international monetary fund and the British reports naturally highlight that point. America would contribute about 1-3 of the gross capital to be used by the 34 countries who have so promptly signed up on this idea in case it goes through, and America would do-

(Continued on page 2036)

McDonald & Company Formed In Cleveland

CLEVELAND, OHIO — Announcement is made of the formation of a partnership to be known as McDonald & Co., with offices in the Union Commerce Building. Partners in the firm who were formerly associated with McDonald-Coolidge & Co. are: C. B. McDonald, F. A. McDonald, Eldon H. Keller, Harris B. McLaren, Herman J. Sheedy, R. H. McDonald, Hans P. Lauritzen, Charles E. Lovell, Alva H. Warner and Richard C. Lux. Branch offices are maintained at Akron, Canton, Columbus, Lima, Springfield, and Cincinnati.

The new firm will act as underwriters and distributors of corporation, municipal and Government securities.

Formation of McDonald & Co. was previously reported in the "Financial Chronicle" of May 11.

Warner Taylor Now Is With H. C. Wainwright

(Special to The Financial Chronicle)

CLEVELAND, OHIO—Warner L. Taylor has become connected with H. C. Wainwright & Co., Union Commerce Building. Mr. Taylor was formerly an officer of Ball, Coons & Co., and prior thereto for many years was with the Guardian Trust Co. of Cleveland.

Bright Possibilities

Giant Portland Cement is a low-priced stock in an industry with a bright future and offers interesting possibilities, according to a circular prepared by Lerner & Co., 10 Post Office Square, Boston, Mass. Copies of this circular may be had from Lerner & Co. upon request.

A. F. L. Committed To System Of Free Enterprise, Says Green

Labor Leader Asserts Government Control Is "One Of The Penalties Of All-Out War, But We Don't Like It"—Urges "Judicious Taxes" On Industrial Profits So That Private Industry Can Finance Itself—Advocates "Clear And Definite Understandings Between Capital And Labor In Post-War Programs"

Addressing the Toledo Committee for the Organization of Peace, at the Civic Auditorium, Toledo, Ohio, on May 14, Pres. William Green of the American Federation of Labor, listed, as the chief post-war problem, the maintenance of full employment with high production, and without government regimentation. All this, he holds, requires an economy of abundance and a high national income, not produced by war-prosperity, which is "a false economy," but one that is based on "maximum production of goods for sale in a market where buying power corresponds with our ability to produce."

William Green

"We know," said Mr. Green, "and understand that we are on the eve of momentous military developments. Preparations are being made for the invasion of enemy territory. An announcement, like a flash, may be made at any time that our brave troops are leaping from landing barges, mounting the Atlantic wall, dropping through the use of parachutes from the skies, for the purpose of striking a death-blow at Hitler's homeland. In such a crucial moment we at home, serving in the field of production in the workshops and factories of the nation, must not fail or falter. There must be no interruption of production now. We must measure up to new heights at home with the same degree of courage and determination as those in the armed forces who face the barriers of invasion in a fortified Europe.

"In facing these stern realities and in our immovable and uncompromising determination to win the war we cannot postpone consideration of the problems which we must meet and the situation which will arise when the cruel war is over. We know a decided change is inevitable—a change which will call for social, economic and industrial adjustments. We must not and we cannot evade our responsibilities to plan and prepare, so far as it lies within our power to do so, for these changes which we will meet.

"We will face conversion from a wartime to a peacetime economy and we will face reconversion of war material production plant back to their former status of civilian production industries. When we are brought face to face with this situation we will be confronted with fluctuating unemployment. We cannot find

(Continued on page 2050)

Situations Of Interest

Herzog & Co., 170 Broadway, New York City, have prepared interesting memoranda on Hartgis Bros., Federal Screw Works, and Megowen Educator Food, which offer attractive situations currently, the firm believes. Copies of these memoranda may be had upon request from Herzog & Co.

Bertram Hames Is Now With Conrad, Bruce Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Bertram L. Hames has rejoined the staff of Conrad, Bruce & Co., 530 West Sixth Street. Mr. Hames was previously with the Los Angeles office of Buckley Brothers, and prior thereto was manager of the municipal and institutional department of the local office of Conrad, Bruce & Co. In the past he had his own investment firm in Los Angeles.

Neil L. Laughlin Is With Davies & Mejia

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—Neil L. Laughlin has become associated with Davies & Mejia, Russ Building, members of the New York and San Francisco Stock Exchanges. Mr. Laughlin was formerly a partner in Stewart, Scanlon & Co. and Stewart, Rice & Ducato. Prior thereto he was with Dickey & Co.

W. A. Hutchinson Joins Staff of Bankamerica Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF. — Wendell A. Hutchinson has become associated with Bankamerica Company, 300 Montgomery Street. Mr. Hutchinson in the past was manager of the trading department for William A. Lower & Co.

Liddle With Bankamerica

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — George R. Liddle has become affiliated with Bankamerica Company, 650 S. Spring Street. Mr. Liddle was formerly with Lynn Swaney & Co. of Cedar Rapids, Iowa, and prior thereto conducted his own investment business in Cedar Rapids.

Real Estate Securities

By JOHN WEST

BROOKLYN!

Brooklyn has once again gained national prominence from the story of the tree that grew there.

This important Borough of the City of New York has long been the butt of many a joke and has many times been facetiously referred to as the "dormitory" of New York. Many stories have been told about Brooklyn and one of the "tallest stories" related was in reference to the amount Peter Minuet paid the Indians for the purchase of New York. Investigation was supposed to have disclosed that instead of $24.00, Peter actually paid $24.30 — the additional $.30 being for Brooklyn.

In all seriousness, however, if one were to really investigate this Borough, he would be amazed at its importance.

Brooklyn has at least ten trunk line railroads and, surrounded by water on three sides, enjoys important maritime advantages. Its shore front equals 201.5 miles. It has 187 piers, accommodating 700 ocean liners. It is estimated that one-half the freight passing through the Port of New York is handled in Brooklyn.

Brooklyn leads in the importation, distribution and refining of sugar; it is an important coffee distributing center. It is one of the largest ladies' shoe manufacturing centers.

War industries are numerous, including the busy Navy Yard and the Sperry Company.

Real estate bonds on properties located in this Borough include apartment houses, office buildings and hotels.

The most prominent issue is the Hotel St. George. Containing 2,050 rooms, this is the largest hotel in eastern America. One of its features is the biggest indoor swimming pool in the world. This pool is the source of substantial revenue and is said to have originally cost over one and one-quarter millions of dollars. Like other hotels in greater New York, earnings of this hotel have risen sharply since the war. Increased activity at the nearby Navy Yard also helped operations. It seems to us, however, that because of its location, the income of the hotel will also benefit after the war. In order to rehabilitate the destruction now going on in Europe, it would appear reasonable to expect a post-war shipping boom for the Port of New York. In Brooklyn, among others, is Bush Terminal, one of the largest terminal and industrial plants in the world. It occupies 150 acres of land and is improved with 105 warehouses and manufacturing buildings, 8 steamship piers, 18 miles of railroad track and facilities for handling about 1,000 freight cars. The Hotel St. George, with its proximity to this shipping section, should receive a great deal of benefit from this anticipated activity. Bonds of the Hotel currently offer a yield of about 6.75% at current market prices.

Other hotels in Brooklyn with bond issues include the Bossert, Half Moon, Granada, Leverich Towers and the Pierrepont Hotels.

The most prominent office building bond issue in Brooklyn is known as the Court & Remsen Street Building. This 28-story office building erected in 1925 and assessed at $2,400,000 for 1943-44 tax purposes, has a bond issue of $2,885,000 secured by a first mortgage on the property. The building is well located in the downtown business district of Brooklyn, and provides space for financial, insurance, law, real estate and miscellaneous business firms. Paying 3¼% fixed interest, the bonds are currently yielding over 8% at current market prices.

Other office security issues in Brooklyn include 16 Court Street, 142 Joralemon Street and Willoughby Building.

Brooklyn apartment house securities consist mainly of first mortgage certificates on semi-fireproof, six-story apartment houses. For the most part these loans are conservative and sell on about an 8% basis yield.

Sherman Gleason & Co. Proposes Appeal To Federal Courts Against Fine Imposed By NASD

Sherman Gleason of Sherman Gleason & Co., Boston, in a letter addressed to over-the-counter securities dealers states that it is his desire to carry an appeal to the Federal Courts against a fine of $250 imposed on his firm by the NASD, and upheld by the SEC decision dated Mar. 25th, 1944. The penalty was imposed for an alleged violation of the NASD's fair practice code in taking "an unreasonable profit."

Mr. Gleason, in his letter, claims that the SEC disregarded "its own trial examiners findings and recommendations," and that at the NASD hearings, his fundamental rights were ignored. Moreover, "all of the trades in question were confirmed at or below newspaper quotations furnished by members of and supervised by the NASD."

"I have battled this case and the NASD for three years trying to establish for myself and the industry," continues Mr. Gleason, "what is a fair profit? What is the meaning of the NASD fair price rule?" The next step, and only recourse we have, he says, is to appeal to the Federal Courts, and it must be done this week.

Mr. Gleason in his letter appeals for contributions to help finance the appeal.

Attractive Situation

H. H. Robertson Company offers an attractive situation (the issue is tax free in Pennsylvania), according to an interesting memorandum being distributed by Buckley Brothers, 1529 Walnut St., Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges. Copies of this memorandum may be had upon request from Buckley Brothers.

Tomorrow's Markets Walter Whyte Says——

Last week's sell-off inconclusive — No critical points threatened—Participation on both sides of market seems of the fishing expedition type—Individual stocks champing at the bit waiting for market to give signal.

By WALTER WHYTE

A foretaste of what invasion will mean to the stock market was demonstrated last week. The page one headlines, announcing the big push in Italy, were immediately reflected in lower prices all along the line. Most of the selling was of the nervous kind; the sort that seemed to come from public hands. But the fact that selling, rather than buying, broke out, is an indication of how a buying public, long of stocks, feels about the invasion.

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It is equally important to note that despite the selling outburst few stocks developed any unusual weakness. The decline was orderly and soon ran its course. Yet, the buying, which took care of the selling, didn't seem to be of any importance either. This leaves us about where we were last week. For if the quality of participation is poor on both sides no prognosticating value exists. The obvious result is that the wishy-washy type of market we've been seeing for the past few weeks will continue.

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But if the market as a unit acts unsignificantly, the same can't be said for individual stocks. And, after all, it is stocks we are concerned with. For while we may talk about market action until we're blue in the face, no one buys the market; it is stocks—or a stock that is of vital concern.

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Last week I wrote that Electric Auto-Lite would meet trouble in trying to cross 42. Stock managed to get to 41½ and tried to improve its high of 41¾ but obviously ran into enough offerings to stop it short of beating its mid-March highs. Stock was bought at 39 and with its inability to get through, the advice (see last week) applied. I therefore assume that ET was sold somewhere between 41 and 41½ for a profit of about two points.

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Jones & Laughlin hasn't improved its action from last week. If anything, it seems to have deteriorated. Switch into Crane at about 22½ should work out better. Latter stock recently established a new high and shows increasing mobility. From October to mid-March of this year stock fluctuated weekly within a one-point range. Beginning the month of April tempo was stepped up (including volume) to a two and three-point weekly swing, culminating in a new high made two weeks ago. Given any sort of market, CR should be able to get to about 26. The insurance level (in case something goes wrong) is 20½. If stock breaks latter

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Attractive Situations

Panama Coca-Cola Bottling and Coca-Cola Bottling Co. of New York offer interesting situations according to circulars being distributed by Hoit, Rose & Troster, 74 Trinity Place, New York City. Copies of these circulars may be had from the firm on written request.

Also interesting at current levels is Butterick Co., Inc. A circular discussing this situation may also be had from Hoit, Rose & Tooster on written request.

Railroad Securities

The Southern Pacific 1st refunding 4s, 1955, recently pushed above par for the first time since 1937, adding further proof not only of the changed investment feeling towards rail securities as a whole but also of the vast improvement in the credit standing of the individual road. One by one the short-term obligations and the major mortgage issues of the system have gone to premiums, a far cry from the discounts of 30 to 40 points at which the same bonds were available as recently as two years ago. Despite their sharp advances, rail men still note a strong institutional and investment demand for the liens, leading to the expectation that even if there is considerable speculative nervousness when the invasion finally comes, these bonds will hold pretty well to recent levels.

In the face of the obvious revival of investment confidence in the properties, rail men have been disappointed in the lack of consistent buoyancy in the common shares. There has been a considerable volume of trading in the stock but the price movement has been narrow. In the process, a fairly substantial short interest has been built up—the short interest showed the largest increase of any stock listed on the New York Stock Exchange last month. Obviously, there are individuals willing to gamble on a fairly sharp sell-off on the basis of favorable war developments, but analysts who have followed the situation closely still consider the shares particularly attractive and are looking for materially higher prices before the end of the year regardless of the course of the war.

It is obvious that maturity problems are no longer a cause for apprehension. The debt retirement program of recent years has been concentrated on eliminating the near-term issues, and has been highly successful. Moreover, the collateral released by the bond retirements, plus the property securing the remaining bonds falling due within the next 10 years, would support much more substantial refunding operations than are in prospect. In fact, it is generally accepted that the road could successfully handle the refunding at this time were it not for the fact that the largest item, the Central Pacific 1st refunding 4s, 1949, is non-callable.

There has been some talk to the effect that the road is even now contemplating a convertible issue which might be offered in exchange for the 1949 maturity but this does not appear likely. It does appear, however, that the company has abandoned its earlier policies of concentrating its purchases on the near-term bonds and has started to retire the longer-term discount issues where the greatest interest savings are possible. This, in itself, in bolstering the over-all credit, will make even more simple the ultimate refunding activities.

In the meantime, this credit improvement, to say nothing of current high earnings and the bright long-term territorial considerations, has virtually been ignored by the stock. The stock is selling at less than half the peak level of 1937, when debt and charges were materially higher, earnings were substantially lower, and finances were not nearly so strong. In the five years ended Dec. 31, 1943, the company reported aggregate earnings of more than $50 a share, of which only $3 was paid out in dividends. Most of the earnings were used to retire debt, much of which was purchased at a discount, so that actually the equity of the stock holders has been increased even more widely.

It is true that earnings so far this year have been running sharply below the level of a year ago. Indicated net income for the opening quarter was off almost 50% from the first quarter of 1943. There appears to be little question but that the relative showing will improve later in the year. For one thing, tax accruals will presumably be more nearly comparable with the 1943 deductions. For another thing, from May 15 on the year-to-year differential in freight rates will be eliminated. Finally, there will presumably be no extraordinary charges in the final months as there were last year to reflect the retroactive wage increases. All in all, then, it is believed likely that 1944 earnings will hold at least above $10 ($15.47 earned last year), which should certainly support considerably higher prices for the stock of a road whose credit has largely been rehabilitated.

Pension Trust Plan

Massachusetts Mutual Life Insurance Co., Springfield, Mass., have prepared an attractive, easy-to-read booklet entitled "The Pension Trust Plan," answering questions on the pension trust. Copies of this booklet may be had upon request from Massachusetts Mutual Life Insurance Co.

Sugar Stock Attractive

Amalgamated Sugar Company offers attractive possibilities, according to a detailed financial analysis of the situation prepared by Edward L. Burton & Company, 160 South Main Street, Salt Lake City, Utah. Copies of this interesting study may be had from Edward L. Burton & Company upon request.

Public Utility Securities

Columbia Gas & Electric

Columbia Gas derives some two-thirds of its revenues from a natural gas distributing system (principally in Ohio, Western Pennsylvania and West Virginia) and one-third from electric subsidiaries located principally in Cincinnati and Dayton. Some time ago the Securities and Exchange Commission hinted that it might require the company to separate its extensive electric and gas interests, to conform to the geographical requirements of Section 11. Recently the commission called for hearings, presumably to clarify the matter.

Should the SEC insist on a separation, it appears likely that Columbia would prefer to dispose of the electric properties, which should be easily saleable, and retain the gas properties (assuming that retail gas operations can be considered as "a single integrated system"). The company's interconnected but outlying gas properties—in Kentucky, New York, Maryland and Virginia—might be difficult to retain, but they comprise only about one-eighth of the total. The New York pipe line extends easterly from Olean to Binghamton, and thence southeast to Nyack; at one time it was proposed to bring natural gas to New York City, but the transmission line stopped about 12 miles from the Bronx, across the Hudson River. Consolidated Edison was reported cool to the idea of mixing natural with manufactured gas. A small pipe line of the Columbia system reaches Philadelphia, but that city continues to depend mainly on coke oven gas.

Columbia Gas draws its principal supply of natural gas from the big Appalachian field (nearly half being purchased). This field has been in service longer than any other major field, and under the increased demands of war industries the supply has proven somewhat inadequate. Hence contracts have been signed by Columbia subsidiaries with the Tennessee Gas & Transmission Co. (which is building a pipe line from Texas to West Virginia) and the Chicago Corp. (which owns the Texas reserves). The system can purchase an aggregate amount of 1,830,000,000,000 cubic feet under these contracts, which assure Columbia of reserves in the Appalachian area for about 20 years at current rates of withdrawal.

Columbia's 1942 equity in the earnings of Cincinnati Gas & Electric, Dayton Power & Light and Union Light, Heat & Power Co. aggregated about $3,436,000. Should these earnings be capitalized at 14 times, the total value would be around $48,000,000 (it is assumed that taxes would not be increased for these three companies if they were placed on an independent ownership basis). At the end of 1943, Columbia (parent company) had net quick assets of over $13,000,000, mainly in cash. It also had substantial claims against subsidiaries (advances, bonds and preferred stocks) some of which could doubtless be sold to the public. It should not be difficult, therefore, to find sufficient assets (assuming sale of electric properties) to dispose of the remaining $76,914,000 bonded debt of the parent company.

Since the SEC has pointedly called attention to the fact that the company's preferred stocks have no voting rights, though they have a principal claim on current earnings, it is possible that the commission might eventually require recapitalization on an all-common stock basis. However, in view of the fact that preferred dividends have always been maintained, and small amounts paid on the common from time to time, this might perhaps be avoidable if voting rights could be given to the preferred by some other means.

There would seem no occasion for ultimate dissolution of the company once it has met SEC requirements with respect to geographical restrictions and voting rights. Now that the difficulties over Columbia Oil and Panhandle Eastern Pipe Line have been disposed of, the system is "solid" and does not conflict seriously, if at all, with the grandfather clause of Section 11. There are some minor difficulties with Kentucky subsidiaries, but these seem relatively unimportant.

Assuming that the SEC should demand a recap plan (following the retirement of bonded debt) the familiar issue would arise as to a formula for distribution of the new common to the present four issues of stock (two first preferreds, one second preferred and the common). Since there are no preferred arrears, the common would be entitled to greater consideration than in other cases, such as United Light & Power and Commonwealth & Southern. But due to the huge number of common shares and deterioration in earning power which would result from sale of the electric properties and application of proceeds to retiring bonds, the common stock (currently selling at about 11 times share earnings) would apparently have to receive a very substantial share in the distribution of new common to permit the stock to maintain its present price relationship to the preferred issues.

Leading Economists Differ On Prospects Of Post-War Inflation, Boom And Depression

The Anti-Inflation Bulletin of the Life Insurance Companies of America recently sent out a questionnaire to a group of the nation's leading economists covering the questions of inflation, price controls, and post-war boom and depression. The economists who replied to the questionnaire were: Professor Walter E. Kemmerer of Princeton University; George B. Roberts of the National City Bank of New York; John H. Riddle of the Bankers Trust Company of New York; Bradford B. Smth of the United States Steel Corporation; Rufus S. Tucker of General Motors Corporation; Professor Marcus Nadler of New York University; Dr. B. H. Beckhart of the Chase National Bank of New York; Professor Clair Wilcox of Swarthmore College; Professor Ray Westerfield of Yale University; Professor Fritz Machlup of the University of Buffalo, and Lionel D. Edie. The tabulation below does not identify the individual replies, but each is represented by an alphabetical letter:

Do you think price level after the war will be higher, lower, or about the same as now?	Do you anticipate a post-war boom, a depression, or a boom followed by a depression?	Do you think a post-war depression can be avoided?
A. Moderately higher.	A good level for 2 to 4 years, well above pre-war, but not a boom. After this, I do not yet see what there is to sustain the level.	I am skeptical about abolishing the business cycle, but feel that much can be done to prevent violent depressions.
B. Higher—about 50%.	A boom, after reconversion recession.	A depression will follow post-war boom—probably can't be avoided.
C. Somewhat higher.	A boom followed by a depression.	Depression can be avoided.
D. Yes, higher.	A boom followed by a depression.	Depression can be avoided.
E. No prediction.	Depends on rate at which accumulated savings will be spent; what our international economic policy will be and consequently what the foreign demand for American goods will be.	Accumulated savings and social security will provide us with a cushion we did not have after the last war. I believe a serious depression *can* be avoided. I am not at all sure it *will* be.
F. 15 to 20% higher.	A boom in some lines, a depression in other lines. On the whole, a boom followed by a depression.	Yes. But not if a boom is permitted in the year or two following the war.
G. 25% higher.	A boom followed by a depression.	Theoretically yes. Practically no.
H. About 10% higher.	Hesitation, and then good business for several years more.	Yes.
I. Very much higher.	Brief period of uncertainty, followed by a short boom, then collapse, with subsequent recovery to a substantial period of "normalcy."	Possible economically, but politically improbable under present day conditions in the United States.
J. About 50% higher.	A boom for around two years, followed by a depression.	Theoretically yes, but politically it is impossible.
K. Higher.	Is a rise of prices and money incomes with severe unemployment boom or depression? Such a boom-depression is not impossible.	

Smith & Gallatin To Admit R. H. Moeller

Richard H. Moeller will today be admitted to partnership with Smith & Gallatin, 11 Wall Street, New York City, members of the New York Stock Exchange. Mr. Moeller was formerly a member of the Stock Exchange and was active as an individual floor broker. Prior thereto he was a partner in Southgate & Co. and Carreau & Co.

Hubert R. O'Neil Jr. In Hill Richards Dept.

LOS ANGELES, CALIF.—Hubert R. O'Neil, Jr. is now in the trading department of Hill, Richards & Co., 621 S. Spring Street, members of the Los Angeles Stock Exchange. Mr. O'Neil has recently been with the Western Die Casting Company of Oakland. In the past he was a partner in O'Neil & Co. in Los Angeles. He says he just couldn't keep away from the "Street" and it is fun to be back, too.

A Platform For America

By ALF M. LANDON*

Former Presidential Candidate Rejects New Deal Theory That An Unbalanced Budget And A Spendthrift Psychology Is A National Asset And Says It Threatens All The Social Gains Of Generations — Views A Permanently Unbalanced Budget As A National Menace—Favors Tariff Reductions, Revision Of Tax System, And "As Soon As Possible" Universal Abandonment Of Artificial Control Of Currencies, Exchange And "Imperial Preferences."

In considering a platform for America, the number one requirement is a good manager for our Nation's affairs, one who will not interfere with our military and naval experts in winning the war.

Alf M. Landon

This conflict has demonstrated once again the old truth that there is nothing of greater concern and importance to all people than the kind of government under which we live as well as the kind of Administration we get from that government.

The everlasting confusion over manpower and draft—to mention only two items out of a long list—brings the realization to every home in America of the great need for an efficient Administrator in the White House. The true test of a good Executive is his ability to formulate wise and sound policies for the general welfare, his ability to pick capable associates, and his willingness to delegate authority. That executive capacity is all the more vital at a time when squeezing the last possible dollar from the taxpayer will cover only a fraction of our astronomical government expenditures and when Federal wastage is visible to every eye.

When we think of the almost

*An address before 147th Rotary International District Conference, Chicago, Ill., May 16, 1944.

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Leading Economists Differ On Prospects Of Post-War Inflation, Boom And Depression

(Continued from previous page)

What are the prospects for controlling inflation for the balance of the war period?	What are the prospects for controlling inflation in the critical post-war reconversion period?	Should inflation controls be maintained after the war?	If so, for how long?
A. Gradual up-trend, but no violent breakaway.	Dangerous, but doubt if even then any radical advance will occur.	No.	
B. Good.	Poor.	Yes. Particularly in the case of durable consumers' goods.	Until urgent consumers' demands are satisfied.
C. Fairly good.	Fairly good.	Yes. Price control and rationing until an equilibrium between demand for commodities and their supply has been established.	1 to 3 years.
D. Good.	Good.	Yes, on foods.	One crop year.
E. If Congress supports stabiliaztion program, prospects are good. If it continues to sabotage stabilization program, the chances are not good.	If price control is tapered off gradually, prospects are good. If it is removed entirely and suddenly, prospects are not good.	Temporarily. Price, production and rationing controls should be relaxed as rapidly as this can be done without risking a runaway inflation.	
F. Fair.	Doubtful.	Rationing of necessary foods, fuel and clothing, and control of imported raw materials should be maintained.	One year.
G. Fair.	Poor.	No.	
H. Good.	Fair.	Yes—price controls and rationing.	Perhaps 1-2 years, but relaxed gradually as conditions warrant.
I. Fair for moderately successful control.	Very slight.	Yes—some price ceilings and some rationing.	Tapered off in a year to 18 months.
J. Less successful than to date.	If controls are removed or poorly enforced, as seems probable, price level will rise rapidly.	Taxation, rationing, materials control.	Gradually relaxed as reconversion to civilian production and supply are achieved.
K. Not too bad.	With the wage stabilization pledge expiring, a wage rate inflation might threaten.	Taxation, OPA, War Labor Board should be maintained.	Depends on shortages—perhaps two years.

Do you think inflation controls have been effective to date?	What have been the greatest forces making for control?	What have been the major shortcomings making for control?
A. Only moderately so.	Sheer military necessity.	Politics of labor and farmer pressure groups.
B. Fairly so.	Rationing and price ceilings.	Lack of wage policy. Failure to finance cost of war as much as would have been possible from taxation.
C. On the whole, yes.	Price control, rationing, taxes and savings.	Lack of adequate controls over farm prices and wages.
D. Yes.	Taxes, bond drives, price control.	Inadequate taxes reaching incomes that increased most.
E. In so far as it has been possible to apply them—yes.	Voluntary savings, price control, rationing.	An inadequate tax program. Legal limits on control of farm prices. Legal limits pricing consumers' goods according to standards and on requiring informative labelling. Inadequate appropriations for enforcement of price ceilings.
F. Moderately.	Control of raw materials.	Failure to control wages. Price-floors and non-recourse loans on farm products.
G. Partially—more in "war" economy than in "consumer" economy.	Patriotism.	Bad fiscal policies and stupid price and ration administration.
H. Yes.	Price controls and rationing.	Fiscal policy. Failure to prevent black markets.
I. Moderately so.	OPA rationing, public patriotism.	Inflationary, monetary and credit policy of Government. Labor and wage policy of Government. Policy of Government concerning farm products and farmers.
J. Fairly.	Bond purchases, taxation.	Lack of consistent dogged policy with respect to wages and farm prices.
K. More effective than we had a right to expect.	Wage stabilization as far as it has been accomplished.	Insufficient taxation.

OUR REPORTER'S REPORT

Although no exceptionally large offerings came on the new issue market this week investors, institutional and otherwise, did not lack for the element of variety.

Several industrial issues, a public utility and the Canadian City of Edmonton's offering of dollar bonds pretty much made up the buget.

Yesterday was a fairly active day for underwriters what with two of the issues definitely slated to be offered at that time bankers putting the finishing touches to a third which was due to be offered, provided the Securities and Exchange Commission gave the necessary clearance.

One of the industrial undertakings, Industrial Rayon Corp., involved public offering of $10,000,000 par value of $4.50 preferred stock to provide for repayment of a bank loan of that amount.

The second industrial was for the account of Libby, McNeil & Libby, food packers, and involved the offering publicly of $7,500,000 of 1 to 3% serial debentures.

Proceeds from the sale together with other funds would be used to redeem, on or before July 1 next, $8,172,000 of outstanding 15-year first mortgage bonds carrying a 4% coupon and due to mature in 1955.

New Jersey Power & Light

The third offering scheduled was in the utility field and embraced $9,000,000 of first mortgage bonds and 30,000 shares of preferred stock of New Jersey Power & Light Co.

Bankers who won the bonds, against a field of five starters, paid the company a price of 103.699 for the issue as 3 per cents. The stock as a 4% dividend payer netted the company a price of 100.179.

The offering prices to the public were set at 104⅝ for the bonds and 101½ for the preferred.

West Penn Power

Meanwhile West Penn Power Company has issued its call for bids, in open competition under Rule U-50, for an issue of $12,500,000 of new first mortgage bonds, series L, due 1974, carrying a 3% coupon.

This undertaking is likely to be one of the last in the corporate field in advance of the Treasury's Fifth War Loan unless another one or two of those now in registration are dusted off and brought out in the interval.

West Penn Power will use the proceeds and such treasury cash as may be needed to redeem an equal amount of outstanding Series E 5s, on September 1 next.

Plugging Is the Word

In underwriting circles where the bulk of recent new business has been centering, there is no attempt to brush off the fact that things have been more than ordinarily slow as far as demand for offerings is concerned.

But bankers at least have the satisfaction of not having been counting on any "out-the-window" performances at this time. They have been set to go through with a little of the old-time "door-bell" ringing.

City of Edmonton Canada's $9,150,000 of serials have been moving, but slowly. So imagine the cheering effect on the marketing group when one of the larger insurance companies stepped up to the window to take away a sizeable piece of the issue.

Dealers and underwriters have dubbed the current lull as something of a "silent zone" for the market, pointing out that they secure the issues all right, but for the time being find their clientele looking elsewhere.

Connecticut Brevities

F. B. Rentschler, Chairman of the Board of the United Aircraft Corp., recently announced that production of two new helicopters of greater size and capacity would be started this year. The Sikorsky helicopter is now being turned out in ever-increasing numbers. These aircraft are being used effectively by the U. S. Coast Guard for off-shore patrol and rescue assignments.

The consolidated income account of the corporation for the quarter ended March 31, 1944, showed net income, after Federal income and excess profits taxes (and deduction for post-war refund) of $4,060,628 as compared with $4,050,749 in the corresponding period a year ago.

Earnings for the quarter on the common stock were $1.41 as against $1.40 in 1943. These figures are, of course, subject to renegotiation.

If the total of deliveries—$215,-280,014 of aeronautical products—for the first three months of this year is any criterion, it may well be possible that shipments for the year might pass the billion-dollar mark.

* * *

On May 10, the directors of Colt's Patent Fire Arms Manufacturing Co. elected three new members of the Board, John H. Chaplin, President of Veeder-Root, Inc.; Lucious F. Robinson, Jr., of the law firm of Robinson, Robinson and Cole, and William A. Purtell, President of the Holo-Krome Screw Corp. These men were elected to fill vacancies made by the resignation of three senior members of the Board, Col. Louis R. Cheney, E. Allen Moore and Harold D. Fairweather.

The three new members are all outstanding in their particular fields and it is expected that their association with Colt's will be of considerable benefit to that concern.

* * *

As of May 5, the Bank Commissioner of the State of Connecticut announced the following changes in the list of legal investments for Connecticut:

Three equipment trust issues of the Elgin, Joliet and Eastern Railway Co. were added, namely, the 2½s due serially to March 1, 1952, the 2½s due serially to Dec. 1, 1949, and the first maturing each year to Jan. 15, 1951.

The following bonds were removed from the list because of failure to show earnings in 1943 of twice interest charges on funded debt:

Central New York Power Corp. general 3¾s due Oct. 1, 1962, general 3½s due July 1, 1965 and general 2⅞s due July 1, 1965; Northern New York Utilities, Inc., first lien and refunding series A 7s due May 1, 1946, and the first lien and refunding series B 6s due May 1, 1947; Syracuse Gas Co. first 5s of Jan. 1, 1946; Syracuse Lighting Co. first 5s of June 1, 1951, and Utica Gas & Electric Co. refunding and extension 5s of July 1, 1957.

The New Britain Gas Light Co. first 3¾s of Jan. 1, 1961, were removed for failure to show net earnings of 5% on the capital stock for the year 1943.

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John J. McKeon of New Haven was elected a director of the Aetna Life Insurance Co. to replace the late Henry H. Conland of the Hartford Courant.

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With the payment of $3.25 in addition to the regular quarterly dividend of $1.62½ on May 15, the New Haven Clock Co. will have cleared up arrearages on its 6½% preferred stock.

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The Remington Arms Co. has made the announcement that effective July 1 operations at Peters Cartridge Division, Kings Mills Works, in Ohio, will be transferred to their main plant in Bridgeport.

* * *

Bigelow-Sanford Carpet Co. showed a substantial improvement in net income the first quarter of 1944 over the corresponding three months of last year. While present operations are continuing at a satisfactory pace, there is still an uncertain outlook for the remainder of the year. On April 1 the company had a backlog of war orders in the neighborhood of $8,000,000—three quarters of which is for delivery prior to the first of August. Net sales for the first three months totaled $9,632,-989, which shows an increase of 11% over the first quarter of 1943. The bulk of these sales was from war orders—$6,506,557. The limited supply of raw material and the labor shortage are two factors greatly affecting the production for civilian purposes.

Actual net profit for this period, after depreciation charges of $215,210 and tax reserve of $180,000, was $252,268 against a loss of $65,277 a year ago.

J. Henry Schroder Elects

William A. Tucker, Treasurer of J. Henry Schroder Banking Corporation, 46 William Street, has been elected a Vice-President, it is announced.

Baltimore Traders To Hold Spring Outing

The Baltimore Security Traders Association announces that the spring outing will be held on Friday, May 26, at the Hillendale Country Club (Locker Room Porch—bottom of hill).

Golf may be played at any time during the day; the bar will be open until midnight. There will be free beer and pretzels, music, trading on a special stock exchange (market closing at 6 o'clock); buffet dinner at 7:30 p. m. sharp.

Admission for members and former members is $3.50; for guests $5.00—golf is included. One dinner ticket will be held for each member until Wednesday, May 24 at 12 noon. Five hundred shares will be offered on the Stock Exchange at $2 per share. Five shares will be reserved for each member until Friday, May 19, at 12 noon. If a member does not exercise his option by this date, all remaining shares will be sold over-the-counter. All acceptances must be accompanied by check. Featured will be a U. S. War Savings Bond, Series "E" ($300 maturity); watch or merchandise (value $100) at M. Greenebaum & Sons, 104 North Howard Street; merchandise credit at Lohmeyer's (value $75); one case of Monticello rye whiskey; one case of rye whiskey; one assorted case containing three bottles of rye, three of rum, three of brandy and three of wine; one half case of rye whiskey; merchandise credit at Charley Betschler's Golf Shop at Hillendale (value $25); 25 bottles of rye and 25 bottles of rum.

William Herzog is chairman of the Entertainment Committee.

Reservations may be made through J. W. Butler of Baker, Watts & Co. (Baltimore phone, Calvert 6200; New York phone, CAnal 6-7162).

Hecht Co. Common Placed By Goldman, Sachs & Co.

A group headed by Goldman, Sachs & Co., on May 16 offered 191,515 shares of outstanding common stock (par $15) of The Hecht Co. at $21.75 per share. The securities of the company are being made available to public ownership now for the first time. In connection with the offering, Goldman, Sachs & Co. announced May 16 that subscription books for all shares reserved for sale to dealers have been closed, with subscriptions substantially in excess of the amount reserved.

The shares offered constitute about 26% of the total 740,376 shares now issued and outstanding, the remainder continuing largely in the hands of members of the Hecht family. Listing of the common stock on the New York Stock Exchange is contemplated by the company.

Members of the offering group, besides Goldman, Sachs & Co., include: Blyth & Co., Inc.; Lehman Brothers; The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane; Alex. Brown & Sons; Hemphill, Noyes & Co.; W. E. Hutton & Co.; Stein Bros. & Boyce; Baker, Watts & Co.; Johnston, Lemon & Co.; Mackubin, Legg & Co.; A. G. Becker & Co., Inc.; Hallgarten & Co.; Lee Higginson Corp.; E. H. Rollins & Sons, Inc.; L. F. Rothschild & Co.; Tucker, Anthony & Co.; Auchincloss, Parker & Redpath; Frank B. Cahn & Co.; Folger, Nolan & Co., Inc.; Kebbon, McCormick & Co.; Ferris, Exnicios & Co., Inc.; Goodwyn & Olds; Robert C. Jones & Co.; Mackall & Coe; Robinson, Rohrbaugh & Lukens; Arnhold & S. Bleichroeder, Inc.; Newhard, Cook & Co.; Piper, Jaffray & Hopwood; I. M. Simon & Co.; Stix & Co.; Swiss American Corp., and G. H. Walker & Co.

Michigan Brevities

Biggest news of the month in Detroit is the possibility that Charles E. Sorensen, former production genius of the Ford Motor Company, may be placed at the head of the Hudson Motor Car Company.

Mr. Sorensen's public statement was only that he had "no comment to make."

Brokerage circles have been alive with rumors of the impending move for more than a week and that was reportedly responsible for the move of Hudson's stock to a new high of 10⅞ last week.

Revelation that first quarter earnings were little more than half of the like period last year, equalling $271,871 as against $503,-223, added impetus to the rumor.

The annual meeting is scheduled for May 20.

* * *

Brokers here have been following closely the latest developments in the Detroit and Cleveland Navigation Company situation.

The annual meeting a month ago broke up in a near riot when the management group adjourned the meeting without electing officers or setting a later meeting date.

In Federal Court here, Judge Frank Picard advised both groups to get together on a date or he would set one.

"You're not children," he admonished them. "You have to have a meeting some day, why not get together and settle it amicably?"

However, little progress was made and he finally told them to meet May 16, transact no business other than adjourn to another subsequent date "not less than 15 days or more than 30 days later."

* * *

Sterling Products, Inc., giant drug and patent medicine concern, has confirmed reports that it will absorb Stearns Drug Company of Detroit, one of the oldest firms in the business.

The arrangements of which no details are yet available, will be made through an exchange of stock, it was said.

* * *

Public offering was made of 95,000 shares of $5 par convertible preferred stock in Miller Manufacturing Company of Detroit, manufacturers of special service tools for autos, aircraft and engines, at $10 a share by a nationwide syndicate headed by Baker, Simonds & Company of Detroit.

Net proceeds indicated at $807,-600 will be applied, together with 5,000 shares of Class A stock and 16,667 shares of common toward the purchase of Rieke Metal Products Company of Auburn, Ind.

Each share of the Class A is entitled to cumulative preferential dividends at the rate of 60 cents per year and is convertible into three shares of Miller stock until April 15, 1949, into two and a half shares until April 15, 1952, and into two shares until April 15, 1954 when the privilege terminates.

The stock is callable at $11.50 until the 1949 date, $11 until 1954 and $10.50 thereafter.

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The Detroit International Bridge Company recently paid "a distribution" of 25 cents, payable June 12 to stock of record May 12. The Detroit River Tunnel elected Boynton S. Voorhies to replace W. K. Vanderbilt on its board.

* * *

Personalities: Elroy O. Jones of the law firm of Dykema, Jones and Wheat was named a director of Crowley, Milner & Company department store. . . . Paul Farrell, for years chief purchasing agent for Great Lakes Steel Corporation has been promoted to assistant to president, Stran Steel Division. . . . Godfrey Strelinger, former assistant general sales manager, has been named treasurer and assistant secretary of Nash-Kelvinator Corporation.

* * *

Approximately 1,800 persons who hold $3,592,000 in bonds issued by the Barlum Realty Company, operators of the Barlum Tower, one of Detroit's skyscrapers, received their first dividend in 13 years.

A federal judge approved the distribution of $400,000 in cash on the petition of National Bank of Detroit, as trustees.

The dividend amounts to about 10%. It was stated that the 45-story building is now operating in the black and "should continue profitable for some time."

Appreciation Possibilities

New England Power Association 6% cumulative preferred stock offers attractive appreciation possibilities according to a study of the situation prepared by G. A. Saxton & Co., Inc., 70 Pine Street, New York City. Copies of this interesting study may be had from G. A. Saxton & Co. upon request.

Regulation And The Democratic Concept

(Continued from page 2027)

pitiless light of publicity upon it. A problem is never solved by turning one's back to it. The use of the word "advertising" is again an infelicitous choice. The bureaucratic action of the NASD has made it vital to tell the public the facts. The investment industry must seek redress in an enlightened public opinion.

NONE OF THIS IS INTENDED TO RETRACT FROM THE WELL KNOWN UNALTERABLE POLICY OF "THE CHRONICLE" OPPOSING UNCONSCIONABLE MARK-UPS. FAIR DEALINGS IS FUNDAMENTAL IN OUR TENETS.

The article then goes on to deal with the term "undemocratic" and here we believe it falls into gargantuan error.

In a plea that in the affairs of NASD the big firms should have a larger suffrage than the small dealer, a contrast is drawn between Messrs. Harriman Ripley & Co. and a "Mr. John Q. Whoosis running a one-man shop in Pocatello." The clear intention is to label the average small dealer as "Mr. John Q. Whoosis."

Immediately the authors become apologetic and say, "Now, we mean no shadow of disrespect to the hypothetical Mr. Whoosis." Unfortunately, whether intended or not, certainly ridicule is apparent in the appellation, if not disrespect, and you just can't laugh the small dealer off. It would have been just as simple to choose a representative name for his class as for the other.

They then point out that if the "5% policy" had been submitted to the vote of NASD members, the big "Harriman" and the small "Whoosis" would each have had one vote. That displeases them. They object to the suffrage of each weighing equally.

Speaking of the contribution of larger firms, the authors say:

"Our own organization is quite small and we have not found its smallness a disadvantage; it means less gross turnover but fewer to divide the proceeds. We hope never to find ourselves claiming a dollar and ten cents for something one of our larger competitors will do equally well for a dollar five."

This is some of the "logic" used to support an advocated disproportionate vote in NASD affairs, more representation for the large and the strong dealers, less for the small.

Well, we have seen a lot of abortive logic in our day but this one is a prize winner.

The authors may not want $1.10 for what larger firms can do for $1.05. That's their prerogative. They must have heard of the laws against price-fixing and the laws against stifling competition. The basis for these is a fixed public policy inherent in our judicial system. By what possible process of rationalizing do they eke out from all this a justification for their advocacy of a more liberal franchise in NASD affairs to the "big fellow" than to the small dealer?

WE HAVE ENOUGH FAITH IN THE BIG FELLOW TO BELIEVE THAT NOT ONLY A SPIRIT OF JUSTICE, BUT ALSO A SENSE OF HIS OWN WELL-BEING WILL LEAD HIM TO RECOGNIZE THAT SUCH ADVOCACY IS BOTH UNFAIR AND PERILOUS.

In the light of such nonsense, the next thing we know some will be supporting the view that a portion of the electorate should have two votes for President of the United States while all others should be limited to only one.

Wisconsin Co. Elected To Chicago Exchange

With the election of Ludlow F. North, Vice-President of the Wisconsin Company, to membership in the Chicago Stock Exchange, the Wisconsin Company, 110 East Wisconsin Avenue, Milwaukee, Wisconsin, has been registered as a member corporation of the Exchange.

The Wisconsin Company, one of the outstanding investment firms in the Middle West, is the tenth corporation to be registered as a member corporation on the Chicago Stock Exchange.

In addition to its office in Milwaukee, other offices are maintained in Madison and Oshkosh.

Mr. Robert W. Baird is President of the company.

St. Louis County Bridge Opening Again Delayed

Floods have again added to the seemingly unending troubles which have plagued the St. Louis County Bridge project. Originally scheduled to open in the late summer or early fall of 1942, it is now estimated that the bridge will not be open for traffic until Jan. 1, 1945. Although the bonds have been in default since Oct. 1, 1943, they have been strong marketwise, present quotations of around 90-93 comparing with a low of about 65-68.

Utah Radio Interesting

Cruttenden & Co., 209 South La Salle Street, Chicago, Ill., will send copies of the 1943 annual report of Utah Radio Products Co. on request.

Missouri Brevities

Bank Dividends Increased

Interest in **St. Louis Bank Stocks** has been stimulated by increased dividend declarations by two of the downtown institutions. **Mercantile-Commerce Bank & Trust Co.** declared three dividends of $1.75 each, payable June 1, Oct. 1 and Jan. 1 to stock of record the 20th of each preceding month. Previous rate had been $1.50 quarterly. The stock advanced several points following the announcement and is now quoted 140-143. **Mississippi Valley Trust Co.** has declared two dividends of 50 cents each payable Aug. 1 and Nov. 1 to stock of record July 21 and Oct. 21. Two previously quarterly payments of 37½ cents each bring total 1944 distributions, paid or declared, to $1.75 versus $1.50 last year. The stock has been strong since announcement of future payments and is currently quoted 38 to 40.

Bank Promotions

Directors of **Mississippi Valley Trust Co.** have promoted **Drew Brown, W. F. Schroer** and **Wm. D. Walsh** to Assistant Vice-Presidents, and **Harrison Croerver** to Credit Manager. Directors of the **Federal Reserve Bank of St. Louis** recently elected **Wm. E. Peterson** a Vice-President and **Lawrence K. Arthur** an Assistant Vice-President.

McQuay-Norris Stock Distributed

An underwriting group headed by **Shields & Co.** of New York and including **Newhard, Cook & Co., Reinholdt & Gardner** and **G. H. Walker & Co.** have distributed a 50,000 share block of **McQuay-Norris Manufacturing Co.** common stock. The issue has been listed on the St. Louis and Chicago Stock Exchanges for many years. With the wider distribution now effected, application to list on the New York Stock Exchange is expected to be made. Several St. Louis firms were members of the selling group.

Other Underwriting and Market Activities in St. Louis

Dempsey, Tegeler & Co. have recently underwritten two institutional loans—$55,000 **Congregation of the Holy Family**, St. Louis County, Missouri, first mortgage serial 1½%-2¾% bonds due April 1, 1945 to April 1, 1958, and $850,000 **Temple University**, Philadelphia, Pa., first and refunding serial 2½%-3½% bonds due May 1, 1945 to May 1, 1959.

White & Co. have reprinted their recent memorandum report on **Stromberg-Carlson Co.** to include operating results for 1943. Earnings last year totalled $726,815, equal to $2.51 per share of common, compared with $534,053 in 1942, or $1.79 per share. 1943 figures are after setting up a Post-War Rehabilitation and Other Contingencies Reserve of $500,000, equal to $1.85 per share. Copies of the report are available to dealers.

Chicago and Southern Air Lines New Route Recommended

The Examiner of the Civil Aeronautics Board has recommended that **Chicago and Southern Air Lines** be given the proposed new route from Memphis to Detroit through Paducah, Evansville, Fort Wayne and Toledo, a distance of about 700 miles. News of this development brought a sharp recovery in the stock which had developed weakness when no action was taken on the April 1, 1944, dividend.

Terminal Railroad Association Would Acquire Bridge and Tunnel

Eads Bridge and the railroad tunnel under downtown St. Louis, now operated under 500-year lease by the **Terminal Railroad Association** at an annual cost of $525,780, would be acquired under a plan recently announced. All of the common stock of the St. Louis Bridge Co. is now owned by the Terminal; however, 24,900 shares of 6% first preferred stock and 30,000 shares of 3% second preferred stock are held by the public, which also owns 12,500 shares of the Tunnel Railroad of St. Louis, owners of the tunnel. Under the plan the Terminal would exchange a $150 bond bearing 4% interest for a $100 par value share of 6% preferred and a $75 bond for a $100 par value share of 3% preferred. The bonds would mature in 75 years. Annual savings in expenses and taxes are estimated at $211.000 if the Terminal completes the acquisition.

J. Earle May Opens Office In Palo Alto

(Special to The Financial Chronicle)

PALO ALTO, CALIF.—J. Earle May has opened an office at 156 University Avenue to act as an individual dealer in securities. Mr. May was formerly with Needham & Co. and Leo & Curtis, Inc. Prior thereto he had his own investment business in San Francisco and was with Frank Knowlton & Co., in charge of their trading department in San Francisco. In the past he was an officer of Hartley Rogers & Co.

Bank and Insurance Stocks

This Week—Bank Stocks

By E. A. VAN DEUSEN

The two largest commercial banks in New York City, and in the United States, are Chase National Bank and National City Bank. Their statements of condition as of March 31, 1944, showed them to have deposits of $4,457,581,731 and $4,074,554,087, respectively. Their shares are actively traded on the over-the-counter market, and are prime favorites. It seems worthwhile, therefore, to offer a comparison of these two leading banking institutions and of their shares.

Chase National Bank, founded in 1877, was named after Abraham Lincoln's Secretary of the Treasury, Salmon P. Chase. It has paid dividends without interruption since 1879. Its general commercial banking departments are supplemented by large and active bond and trust departments, and in addition to its main office it operates 28 branches throughout Greater New York. Branches are also maintained in London and Latin America.

Significant figures over the past three years are as follows:

	1941	1942	1943	Increase for Period
Net operating earnings	$1.96	$1.81	$2.33	18.9%
Dividends	1.40	1.40	1.40	No change
Book value	32.56	33.19	36.88	13.3
Earning Assets per share	344.12	462.48	488.44	41.9
*U. S. Government securities	1,364,847	2,327,748	2,603,172	90.7
*Deposits	3,534,967	4,291,467	4,375,582	23.8
*Capital funds	240.910	245,589	272,878	13.3

*000 omitted.

National City Bank opened its doors to business in time to assist the Government to finance the War of 1812. Dividends have been paid uninterruptedly since 1853. It operates 65 branches in Greater New York; its foreign branches include one in Bombay, two in London and 35 in Latin America. City Bank Farmers Trust Co., a wholly owned subsidiary, handles a large volume of personal and corporate trust business.

Significant figures, which include those of City Bank Farmers Trust, for the past three years are as follows:

	1941	1942	1943	Increase for Period
Net operating earnings	$1.94	$2.18	$2.44	25.8%
Dividends	1.00	1.00	1.00	No change
Book value	32.05	33.14	38.29	19.5
Earning assets per share	337.16	477.23	513.50	52.3
*U. S. Government securities	1,235,662	2,114,344	2,306,064	86.6
*Deposits	2,878,821	3,671,306	3,833,412	33.2
*Capital funds	198,721	204,624	237,384	19.5

*000 omitted.

We now present a tabular comparison of certain significant current ratios, based on 1943 operations and statement figures as of Dec. 31, 1943:

	Chase	National City
Net earnings to dividends	1.67	2.44
Earned on book value	6.43%	6.38%
Earned on earning assets	0.48%	0.48%
Deposits to capital funds	16.0	16.1
Earning assets to capital funds	13.2	13.4
Earning assets to deposits	82.6%	83.1%
Surplus and undivided profits to capital	1.72	1.71
Current Market Ratios—		
Asked price 5-11-44	39¾	36½
Dividend yield	3.5%	2.7%
Earnings yield	5.9%	6.7%
Book value per market	$0.93	$1.05
Earnings assets per market	$123	$140

Since the market lows of April, 1942, Chase has moved from 21⅛ to 39¾, a rise of 88.2%; National City has moved from 21 to 36½, an increase of 73.8%. In order to reach their highs of February, 1937, Chase must move up to 65½ and National City to 71, which would be an appreciation of 64.8% and 94.5%, respectively.

It will be noted that although the investor currently can buy more dividends per dollar with Chase, he can buy more book value, earning assets and earnings per dollar with National City. As regards comparative operating ratios, there is little to choose between the two banks.

"Pin-Up Boy" Parsons

Ed Parsons of Wm. J. Mericka & Co., Inc., Cleveland, Ohio, on his trip to Los Angeles was elected "Pin-Up Boy" by the Los Angeles Bond Traders Club. The election was witnessed by Ed Welch of Sincere & Company, Chicago, also a Los Angeles visitor—ask him for full details.

"Experts" Monetary Stabilization Plan An International WPA: Taylor

(Continued from page 2029)

nate a good deal more than half of the gold.

"Now although the Washington dispatches do not quote the Treasury on this point, the London dispatches do feature the statement that the American idea is to maintain a high level of employment around the world.

"That is quite a job, and the British realize it is quite a job. But the famous newspaper, **The Manchester Guardian**, for one, gives a cheer for the flexible features in the American public servants' idea and points out that as far as England is concerned it will allow several things. First, America's contribution to the international monetary fund will permit the British Government to continue to operate at a deficit after the war in respect to supplying larger social security benefits, health and welfare benefits and other measuers to improve the condition of the British people. **The Manchester Guardian** points out that under Washington's plan if the British deficit looked temporary, Britain could draw on her quota of the international monetary fund. Furthermore, if it looked as though it might take a number of years for this kind of deficit to stop, Great Britain could seek loans overseas, presumably in the United States. And lastly, if it still kept looking as though the British deficit would continue, Great Britain under the terms of the Washington plan could depreciate her currency and could still accomplish all this without breaking the rules of the fund's management as defined by our Treasury Department in Washington.

"From any point of view this is a bad plan for international stabilization, but it is a perfect vehicle for America's international WPA. As such, it would be a thoughtless thing for any of us to think less of Great Britain because she was for it and that seems to me to be the danger in international relations in this kind of thing.

"Our public servants proposed something to another country that they really have not thought through from an American point of view, such as the donation of the $500,000 water works to Montevideo, Uruguay, which the Uruguayans accepted and are now building at our expense. Then when the other country takes our public servants at their word we seem to get the idea that our friends abroad are swindling us, or that they are unduly greedy. The people in Montevideo are not being greedy. They are just taking the water works we are giving them. The Peruvian fisherman on Lake Titicaca are not being greedy. They are just taking one-half million fertilized fish eggs we flew down there and dumped in the lake. The British in regard to Washington's international monetary fund are not being greedy. They simply foresee such special benefits if Mr. Morgenthau's plan goes through.

"As I have said before, somehow or other, if a proposition is just big enough, and far enough away, and never seems to have been dreamed up before, it does seem to tantalize our non-elected and especially appointed experts like marriage tantalizes Tommy Manville.

"The trouble is that long after these experts have gone back to the farm, or wherever they came from and have been forgotten like Professor Warren was after he finished his first boondoggling in Washington with our gold, we and our children will still be around here paying the bill."

Regarding our gold exported Mr. Taylor said on May 12:

"We are threatened with another devaluation of the dollar and with greenbackism. For all money is dead money. As time goes by it either grows stronger like cheese or weaker like coffee. And our paper money is growing weaker every month. The ratio of our gold reserve behind the paper money that the Treasury is issuing has fallen from 92% to 60%. It is falling now at the rate of about 2% per month. As our gold has kept going out, to the tune of a billion and a half dollars in the past year, and as new paper money keeps being printed, this ratio keeps falling at the rate of around 2% per month. At the present rate it will be down to 40% some time in the next ten months. And 40% is the legal minimum of the Federal Reserve Act. At that point we can expect to be told by the same experts who believe that gold is oldfashioned that we are faced by an emergency. Such an emergency will be blamed on the war, and by that time it will be too late. Once more, to the benefit of the rest of the world and to our disadvantage, these men again would have to devalue the dollar.

"The only time to stop this is before it is too late. And that time is now. While we are giving everything away to the world under Lend-Lease, the custodians of our gold in the Treasury should re-negotiate our contracts with foreign countries so that they cannot drain our gold and weaken our own currency here at home. These same men made it illegal for any American citizen to have gold coins. There is no reason on earth why they should make it legal for Chinese, Russians, our British friends and anyone who lives outside the United States to have gold coins and to hoard the same gold which should stand behind the paper money we have in our pockets or should be in the hands of American citizens themselves.

"There are other ways for the world to get gold without having our trustees give it to them the way they are doing. The British have tremendous quantities of gold in South Africa. More gold still remains in African rocks than is owned by American taxpayers in the ground under Fort Knox. Southern Africa alone has contributed 42% of all the gold dug any place in the world in the present century. And by the outbreak of World War II, the area of the Union of South Africa alone, British Commonwealth of Nations, has delivered 6 billion dollars in this metal. From its first development until World War II, the African Rand paid foreign stockholders, chiefly British, over 1 billion dollars in dividends.

"Russia is the second largest gold producing nation in the world. Russia had ample gold to give a vast supply to Hitler on the signing of the Russian-German Non-aggression Pact, Aug. 25, 1939. And Russia has even given gold to the Japs. Russia could use gold in trade with us without our giving her the gold to use.

"France has 800 million dollars worth of gold of her own safely stored in the Western Hemisphere, and guarded for her.

"The Netherlands, Norway, Belgium, these countries all have gold resources which have always made it hard to see why the experts in our Treasury should worry so much about distributing our gold abroad so that other people could trade with us.

"The simple fact of the case is that our currency is threatened by the Treasury's policy, or lack of policy, toward our own gold supply in face of our unfavorable balance of trade and by the perfectly tremendous issue of paper money which is liquidating the stability of our currency down to the danger point."

Now Durand & Co.

TUCSON, ARIZ. — Dahlberg, Durand & Co. announces the withdrawal of Henry E. Dahlberg as a general partner effective May 1, and the continuation of the business under the name of Durand & Co. The firm's offices are located at 17 East Pennington Street. Partners of Durand & Co. will be Eugene F. Durand and Robert E. Heineman.

Macart An L. A. Visitor

Leon Macart, Chief Petty Officer, U.S.N.R., was a visitor in the Los Angeles Financial District last week. Mr. Macart has been in the Navy two years now, but prior to joining the service was a well-known trader on 17th Street in Denver, Colo. He has returned to his Pueblo, Colorado, station—address c/o Post Office Building.

'Our Riskless' Economy

(Continued from page 2027)

putting 50% of your money in Government bonds. This would seem to be both the sound and patriotic thing to do. You have invested about 34% in prime first mortgages. From real estate mortgages at 34% you drop down to 3% of your portfolio in railroad bonds and 3% in utility bonds. It is in these last two small segments that I find the only field where investment bankers can make any money out of your business. Cash and miscellaneous items represent 10%.

"Back in 1931 you had 56% of invested assets in real estate mortgages, 14% in rail bonds, 7% in utility bonds, 8% in other private enterprise, leaving only 15% for all municipal and Government bond holdings. Since 1931 you have gone from 15% to 60% in Government enterprise securities which means, of course, that you have gone from 85% to 40% in private enterprise securities. We all are walking together down the path of a so-called 'riskless' economy.

"Let us take a quick look at the commercial banking picture. Here we can make comparisons with 1920. First of all, the number of banks has dropped from about 30,000 to 15,000. Today our deposit banks have about 52% of their assets in Government bonds against 9% in 1920. They had about 60% in loans in 1920, now 18%; cash now 22% was 16% in 1920. Boiled down, this means that of invested assets of commercial banks in 1920 about 80% related to private enterprise, while today it is less than 30%.

"Everything still seems quite simple and fool-proof. Take the branch of banking in which I am engaged, namely, investment banking. We were accused of being rather bold and venturesome with respect to equity capital during the 20's. But what has happened of late? Of the securities registered with the SEC and known to have been offered for sale, more than 90% in dollar volume either are bonds or preferred stock.

"You are familiar with the investment policy of the large life insurance companies. Here we find further evidence of our 'riskless' theory of investments. At the end of 1920 life insurance companies had 19% of their assets in Government securities of all kinds. Now the figure is 40%. Of total assets in life companies about 98% are senior loans or mortgages. Obviously the purpose of insurance is to minimize risk.

"Now let us take a look at individual investors. We find Mr. John Q. Citizen playing absolutely safe by letting his money pile up in the banks. He hesitates to take a chance upon anything in the investment field.

"You represent what might be termed widows' and orphans' money. My impression is that you have done a commendable job. The trouble is everyone wants to get under the bed with you. Apparently all bankers and investors would like to turn themselves into savings banks. The question is—can we have an expanding economy with only widows' and orphans' dollars? Must not some of our dollars fight abroad and at home if the widows and orphans are to be safe? Will your senior investments be sound without a vibrant attitude and sympathetic policy toward equity capital?

"Mind you, I am not suggesting that you depart from your time-tested principles of investing money. I do point out, however, that your depositors will be affected by general investment trends. Within certain limits, you have a responsibility toward private initiative. Otherwise you might as well buy only Government bonds. For your contribution to private enterprise, it would seem that the financing of the building industry might offer a fruitful field. However, I hesitate to intrude any suggestions whatsoever with respect to a business so thoughtfully operated as yours.

"May I speak of some of the problems of the investment banking business? I conceive it is our job to sell securities in such a way as to provide an adequate flow of funds into private business, and to give every investor throughout the length and breadth of the land a substantial equal opportunity to have a stake in the business of this country. When the Congress removed deposit banks from the investment business, automatically it threw a greatly increased responsibility upon the investment banking machinery. At the same time, the Government provided for very close supervision of the investment business by the SEC. Whether investment banking caused the tragedy of 1929, as its critics allege, or whether it was a product of an era, long will be discussed. The fact is that the public was angry, Congress was angry, investors had suffered, and by and large swore they would never buy securities again as long as they lived.

"Viewed historically, and even from a vantage point of 10 or 15 years, it will be admitted, I believe, that the punitive element had considerable to do with regulation. Assuming that there is such a thing as severe and big regulation and moderate or little regulation, certainly the 1929 situation was perfect for the big regulators. The question becomes whether regulation and an attitude toward it conceived in anger and pain has worked to the best advantage. The trend, once established, never was altered. Can it be that so much emphasis was placed upon the point of making the investment banker good that sight was lost of how to make him useful?

"Somewhat the same process, but in a milder degree, operated in commercial banking. 'Riskless' banking became the ideal pattern. Commercial bankers insist they never were intended to put up venture capital. But we all know that there is a rather thin line between venture capital and a generous loan. Since 1929 the conservative deposit banker has not got within gunshot of that line.

"In England, where investors have had long experience, both

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Mutual Funds

"An Undervalued Group"

While steel stocks remain unpopular with the investing public generally, **Distributors Group**, sponsor of **Steel Shares** and other classes of **Group Securities, Inc.**, continues to stress the undervaluation in this class. Last week Distributors Group published an issue of **Steel News** giving a projection of post-war steel company earnings. We quote:

"Few investors seem to realize the tremendous tax 'cushion' now enjoyed by the leading steel companies. For example, with the elimination of excess profits taxes and wartime contingency reserve, the steel company shown in the following table could absorb a 70% reduction in earnings before taxes and still earn after taxes approximately the same as in 1943. Here are the figures:

	Actual 1943	A POSTWAR YEAR (40% Normal and Surtax Only) 25% Reduction	50% Reduction	70% Reduction
Earnings before taxes	$9.54	$7.16	$4.77	$2.86
Less: Normal and surtax	1.22	2.86	1.91	1.14
Excess profits tax	5.71	---	---	---
Contingency reserves	0.84	---	---	---
Net income per share	$1.77	$4.30	$2.86	$1.72

"Steel company shares are undervalued on the basis of current earnings. On the basis of their prospective higher post-war earnings, they are drastically undervalued!"

In the current issue of **Railroad News**, the Investment Research Department of **Distributors Group** draws attention to the continued attractiveness of discount railroad bonds as follows:

"Two years ago the average interest-paying railroad discount bond was a highly speculative issue. A year ago it could be termed a second-grade issue. At the present time it is in the medium-grade category. **We now believe that many of these bonds are at a point where further favorable developments will place them in the investment quality class."**

* * *

It was recently announced in **Brevits** that beginning May 1, 1944, the distribution of shares of all the open-end funds previously sponsored by **Massachusetts Distributors, Inc.**, will be under the sponsorship of **Vance, Sanders & Co.**

The general partners of this new firm have long been the principal executive officers of Massachusetts Distributors, Inc.—Mr. Henry T. Vance and Mr. David T. Sanders being President and Vice-President, respectively, at the present time. The entire personnel of Massachusetts Distributors, Inc., a corporation, will be associated with Vance, Sanders & Co. The open-end funds under the sponsorship of Vance, Sanders & Co., include **Massachusetts Investors Trust**, the oldest of the mutuals, **Massachusetts Investors Second Fund, Boston Fund** and **State Street Investment Corp.**

* * *

"It Isn't What It Is—It's What It Does." **Keystone Corp.** makes this point with respect to securities in the current issue of **Keynotes.** "Investors are not actually interested in whether they own a steel stock, a railroad stock or a utility stock. They are concerned primarily with the characteristics of the securities which they own—that is, whether they promise wide or moderate price swings or stability and the probable rate and dependability of income.

The memorandum points out that: "Investing by characteristics represents the application to investment of the same commonsense principles which determine nearly every other action in life. Before buying a truck, for example, the work which it will have to do is first considered, and then the characteristics of various trucks are studied. Obviously, a millinery store does not need a 10-ton truck. . . .

"In order to adapt this commonsense principle to investment, it is necessary to study the established performance characteristics of securities and then group all issues having similar characteristics together." The Keystone Plan provides such a grouping of securities through the medium of the 10 separate Keystone funds.

* * *

"Earnings Are Not Enough," writes **Lord, Abbett** in the current issue of **Abstracts.** There are other factors which have a vital bearing on the value of any security.

Not long ago Research & Management Council, which manages the funds of the Lord, Abbett group, made a survey of all of the holdings in the various funds and found that, in view of the broad economic changes perceived to be ahead, it was necessary to get additional information on 65 of the companies represented.

An immediate field check with the managements of these 65 American companies was made. 65 letters were written to top executives asking for appointments. "The response was almost overwhelming. 61 of the 65, within 10 days, had replied and fixed time and place for an interview. Some replies came from the Coast, others from as far away as Chicago and Houston."

"Consider the implications," writes Lord, Abbett. "Could an individual investor expect the whole-hearted cooperation shown by those 61 top-flight executives? Only an organization of prestige and importance could command the attention of such a group of busy men."

The **George Putnam Fund** devotes the main issue of its portfolio review to a brief comment on Russia, declaring that: "Russia is going to be a factor in the world of tomorrow." The trustees conclude: "We are not wise enough to foresee just how this new force is going to affect our lives but we do know that we must all learn more about the Soviet Union and the Russian people. We may decide we don't like the way they operate but we certainly cannot ignore them."

* * *

We're still puzzling over the four-page folder which came in the mail this week from **Calvin Bullock.** Entitled "Pre-Invasion Times," it is completely out of character with the investment literature previously published by that sponsor. If the invasion is as imminent as the signs would lead us to expect, this little publication will soon be obsolete.

Mutual Fund Literature

Hugh W. Long & Co.—Portfolio folders for May on **Manhattan Bond Fund** and **New York Stocks. . . . Lord, Abbett**—A revised portfolio folder on **American Business Shares. . . . Selected Investments Co.**—A current issue of the folder, "These Things Seemed Important." . . . **Calvin Bullock**—A current **Bulletin. . . . Hare's, Ltd.**—A folder entitled "Concerning Stocks of New York City's Prominent Banks."

Dividends

American Business Shares, Inc.—A dividend of 6 cents per share, payable June 1, 1944, to holders of record May 15.

'Our Riskless' Economy

(Continued from page 2037)

in foreign and domestic fields, we find that deposit banks participated in the distribution of securities and investment bankers operated under the Companies Act, which is far more simple than our rigid requirements as to registration. In this country, where the job is much greater and more difficult, it is time for all interested in financial matters to study the 'bottlenecks' in the flow of investment capital into business. Does our present set-up really protect the small investor? Does it insure adequate capital for the business of tomorrow and, especially small business?

"From 1929 until 1933 and for a time thereafter, we had a stalemate in capital outlay. The volume of business was declining and the amount of capital needed to do this business also was declining. With or without severe regulation, the practical results would have been much the same as far as the investors' attitude was concerned. He had acquired the 'riskless' attitude toward investments. Everyone, including regulatory bodies, will point with pride to the absence of losses in investments. The regulator, the banker, the investor, all moved in the same direction. The tax upon venture capital emphasized the soundness of a 'riskless' policy toward investments. No one wants to pocket all the losses and to give up the lion's share of gains to the Government. A conscientious investment banker hardly can pursue any but a 'take small risk' policy.

"This 'riskless' economy will not enable us to give employment and pay off the debt. We must strengthen the machinery for distributing securities. The country needs venture capital and yet it may destroy the machinery needed to furnish that capital. Merchants must have reasonable profit, if they are to do an effective job.

"I hope that some day our regulatory agencies will take their foot off the punitive pedal which they have been pressing for ten years. The ICC worries about the railroads when they are in the doldrums. The Treasury and Federal Reserve have an eye upon commercial banking profits. It is time for a fresh look at the investment business. The people of this country have the capital needed for the post-war period. The banks are overflowing with it. It is increasing at the rate almost of $40 billions a year. It is true that much of this money is owned by the new rich and investment bankers must devise new and broader methods of distributing securities. To that end, and if business is to go forward after the war, we also must build up in this country a more thoughtful and more profitable investment banking machinery to parallel the deposit banking structure.

"I believe that investment bankers have the most important banking job of all in the post-war period. It is up to them to break the log jam brought about by stagnation of capital and devotion to a riskless economy. Men in public life and at every hand are saying that venture capital is the answer. But who wants to go to war? Mutual savings banks rightly say—'not us.' Commercial banks say—'safety and liquidity is our motto.' Insurance companies say 'we represent the widows and orphans.' Well, doesn't it look like the investment banker was elected? Isn't it up to him to induce Mr. Average Citizen to put his money to work, upbuilding new enterprise, in the way he did prior to this 'riskless' period?

"Investment banking, in my opinion, has the energy, the ingenuity and the experience for the job at hand, but the following things need to be done:

"'Streamline' the Securities Act to eliminate 'bottlenecks' and encourage a free flow of capital.

"Small investors throughout the country should be given the same chance to buy securities as the large and sophisticated buyers. Compulsory competitive bidding and private placement of non-registered securities are hurting the little investor and the little dealer.

"Our present system of taxation upon venture capital, if continued after the war, will kill the goose that lays the golden egg. There must be some relief from excessive double taxation, first of the corporation income and then of stockholder income. Capital that takes a chance must get a run for its money.

"The capital gains tax should be eliminated. This would bring the large investor 'into the picture.' Right now and for the time in sight, he has little incentive to increase his income. However, he will put his money to work if he has a chance for capital gains.

"Finally, we need a dose of optimism and faith in the future of our country. The fashionable trend toward a 'riskless' economy must be arrested. There is no such thing as 'riskless' business."

The Growth Factor In Railroad Analyses

Stroud & Company, Incorporated, 123 South Broad Street, Philadelphia, Pa., have reprinted in attractive brochure form "The Growth Factor in Railroad Analyses," an address given by William Prescott Watts before the New York Society of Security Analysts. Mr. Watts is Railroad Bond Consultant for Stroud & Company. Copies of the brochure may be had from the firm upon request.

Attractive Situations

Memphis Street Railways Co. 4% preferred stock and Hotels Statler Co. common stock offer interesting situations at the present time, according to circulars discussing these issues prepared by T. J. Feibleman & Co., 41 Broad Street, New York City, members of the New Orleans Stock Exchange. Copies of these circulars may be had upon request from T. J. Feibleman & Co.

Taxation After The War

(Continued from page 2026)

venient in taxes and put the rest of the budget "on the cuff." This makes about as much sense as does the story about the gentleman farmer's advice to his men, which was to stack all the hay outside that they could and put the rest in the barn.

It is possible that these fiscal soothsayers and medicine men are trying to be realistic to the extent of recognizing that there is no possibility of redeeming the public debt and therefore in counseling that we should adopt a policy in fiscal matters that will keep the ship afloat as long as possible. But, if this be their aim, I cannot agree with their view as to the best measures for keeping afloat as long as possible. The quickest way to sink the ship of state, with all hands aboard, is to continue the rise of the public debt. I doubt if anyone is under any illusion as to the ultimate disposition of the public debt, although there is an immense amount of whistling to keep up our courage. Certainly the future of the debt would now be much less dark had it not been for the indefensible fiscal policy which added some 50 billions to the debt, direct and contingent, in the ten years after 1930.

If we are by any means to stabilize the debt and avoid its repudiation, after the war, it is absolutely essential that there be no further debt increase. This means that we must look ahead to a balanced budget, after the war, and in order to keep the budget balanced we must not permit the government to engage in any kind of transaction or operation for which the people are not ready and willing to foot the bill as they go. There will be many attractive and enticing things which the government will be asked to do. No matter how promising, or even how urgent they may appear to be, if they involve further additions to the debt they should not be undertaken.

The use of public credit can mean only one of two things: first, it is a mortgaging of future tax revenues, a means of getting increased funds now against the pledge of future taxes. As the debt matures, its repayment diminishes the proportion of future revenues that can be devoted to current uses; or second, it may mean that debt is being created with no intention to repay, a policy which involves getting something for nothing through inflation, a policy which can end only in the repudiation of all debt. During a war, there must be a desperate mortgaging of the future since no nation has ever been willing, not even the nations under dictatorships, to operate a war on a cash basis, which would mean curtailing civilian incomes and civilian purchasing power in the same proportion as the government's diversion of the current product for the war purposes. Consequently, debt financing appears to be inevitable in greater or less extent, during a war. But this fact or condition points the more surely to a course of prudence after the war.

While the above line of argument might appear to compel me to set a limit to the federal budget after the war, this is not really the case, for what I am saying is, in effect, that the federal government must plan to spend only such amount as the people are willing to provide in taxes. This amount may be as little as 15 billions or as much as 25 billions. The precise amount is not so important as it is that whatever it may be shall not exceed the amount to be taken from the people in taxes. This will not be an easy course to follow. Apart from the influence of powerful pressure groups that can be most readily placated by Treasury hand-outs, there is the fact that the federal budget has not been balanced since 1930. If we assume that no one acquires sufficient civic and political intelligence before age 15 to have any sort of grasp of fiscal affairs, it follows that the entire population under age 30 has observed and experienced only deficit and war financing. This group has seldom, if ever, heard the expression, "a balanced budget" referred to except in terms of ridicule. Little wonder, then, that it should so easily be persuaded that the false prosperity of a war period can be maintained during peace by a continuance of the bankruptcy methods of financing used during the war.

And yet, the level of the postwar expenditures, with the corresponding level of the postwar taxes, does become important in that the effect of the taxes on the motives and incentives which actuate the people must be considered. All taxes are merely transfers of money from the citizens to the government. This transfer does not affect the total volume of purchasing power, hence has neither depressing nor inflating effects, *per se*, for the government spends instead of the people. Heavy taxation produces a definite repressive effect because of the feeling that is engendered in many minds that the purposes of the government in levying the final installments of the taxes are not economically or socially justifiable in relation to the tax burdens imposed.

That is, the taxes paid to defray the ordinary and accepted costs of government in performing those services which are recognized as being conducive to peace, order, justice and stability are not burdensome. There is an ample value rendered in return for these taxes. The onerous taxes begin beyond this point, whether it be in paying more than is warranted for an obviously useful service like police or education, or in undertaking experiments which are of dubious or unproven value to the productive energies of the nation.

It is axiomatic that no government policy, whether in taxation or elsewhere, should have the effect of restraining or repressing the productive efforts of the people. The worst possible course that any government could take would be to create in the people the attitude of "what's the use?" It is as true today as it was in Adam Smith's time that the government's prosperity rests on the prosperity of the people. And it is likewise true today, as it was then, that the prosperity of the people derives from their freedom to pursue their own interest and from their freedom to have and enjoy the fruits of their labor, their thrift, their ingenuity, their foresight, their risk-taking, and their daring.

The conclusion of the argument to this point, is that taxes should be moderate. Government must not undertake projects so ambitious or so costly as to involve heavy taxation at any point. If, through moderate taxation, there is attained a level of prosperity under which moderate taxes will provide revenues sufficient to permit the government to embark on projects that may appear desirable, there can be no objection from the standpoint of taxation. Severe or crushing taxes for such purposes would defeat their own objective by reducing the capacity of the nation to finance any level of public activity.

Coming more directly to the subject of postwar taxation, and assuming that the primary objective of anything that is worth saying on that subject is the creation of a tax and fiscal environment in which the private enterprise system will thrive and flourish, I have developed some remarks along two paths. One is a discussion of desirable postwar tax changes along conventional lines and in accord with conventional thinking; the other path is one in which I have ventured to do some pioneering. I shall presently wander for a time along this second path because I am always hopeful that there may be a few who would like to see a new approach to an old problem.

All of the discussion of postwar tax changes that has come to my attention indicates substantial agreement on a number of outstanding issues, although none of this discussion has been sufficiently concerned with details to uncover some matters regarding which there is likely to be lack of unanimity. For example, it is generally agreed that the excess profits tax should be repealed at the close of the war. All businessmen devoutly hope for this consummation. But repeal of this tax involves a complication for some, for it would cut off the privilege of carrying back unused excess profits credits, and hence the possibility of securing a refund of excess profits tax. The reconversion period is likely to be one in which corporate earnings will be, in many cases, less than the normal amount not subject to excess profits tax. Any deficiency of earnings below the standard allowance or credit for the base period or for invested capital, as the case may be, would give rise to an unused excess profits credit which could be carried back against excess profits in the two preceding years, provided the law has not been repealed in the meantime.

The carry-back would involve refunds at the time business earnings were below normal, or were nonexistent. By the same token, the refunds would be a heavy drain on the Treasury at a time when revenues were declining. The dilemma is obvious. To keep the excess profits tax through the reconversion period, in order to use the carry-back, might create a precedent for its indefinite retention. To insist upon the refunds recoverable through the carry-back would strengthen the charge, already being made, that the government is to guarantee corporate profits, and give additional force, in the view of labor, to the demand that the corporations should guarantee annual wages. It may be that as the prospect of refunds looms large, Congress will promptly repeal the tax, since the refund is as dangerous for the politician as it is for business.

A second point on which there will be general agreement is reduction of the ordinary corporation tax rate. Such a detail as what the postwar rate should be is not usually considered, but it should be clear that, as a matter of wise long-range tax policy, the corporation rate should be geared to the normal or standard rate on individual incomes and that dividends should be excluded from income for purposes of the normal tax. Were this done, then the various individuals subject to income tax would all pay the same starting rate regardless of the source of their respective incomes.

No one can be found who will say a good word for the capital stock and declared value excess profits tax. This pair of taxes is completely phony and its operation is best illustrated by the familiar trick question—"Have you stopped beating your wife?" It is time that we were grown up past the stage of trick, wife-beating types of taxation

When we get farther into the income tax and encounter such matters as capital gains, consolidated returns and the treatment of business net losses, the going gets harder so far as a consensus is concerned. There is a sensible and rational solution for each of these issues and if this address were to be confined entirely to the conventional lines of tax improvement it would be worth while to set them out. I may add that there will be agreement, probably not quite so general, as to the reduction of the extreme rates of personal income tax and of estate and gift taxes. The excise tax on liquors is already higher than is required to afford the bootlegger his necessary margin of costs plus profit. Some other excise rates are equally due to be revised as the war ends, if not sooner.

Editor's note—The remainder of Professor Lutz's address follows closely a paper, entitled "A Post-War Tax Program" published in the "Chronicle," February 19, 1944, page 593.

Am. Statistical Ass'n To Hold Dinner Meeting

The Securities and Capital Markets Division of the New York Chapter of the American Statistical Association will hold a dinner meeting Wednesday, May 24, at 6 p. m., at the Hotel Sheraton, Lexington Ave. and 37th Street, New York.

The topic of the meeting, at which Shelby Cullom Davis will preside, will be the Post-War Outlook.

Speakers will be Clyde Shute, F. W. Dodge Corp., on "Building"; Wendell W. Reuss, McLaughlin, Baird & Reuss, on "Railroads"; Ragnor Naess, Naess & Cummings, on "Securities"; Leo Rich of Walter Darwin Teague, on "Consumer." A general discussion will be lead by James F. Hughes of Smith, Barney & Co.

The cost of tickets is $2.50 if paid by May 20; $3 thereafter. Orders should be sent to Helen Slade, district representative, 400 East 57th Street, New York City.

Members of the program committee are: Warren Clark, Brundage, Story & Rose; Marshall Dunn, Homer & Co., Inc.; H. G. Gartley, Benjamin Graham, Graham-Newman Corp.; J. H. Lewis, John H. Lewis & Co.; Lucien Hooper, W. E. Hutton & Co.; G. G. Munn, Paine, Webber, Jackson & Curtis; Joseph McMullen, J. McInerney; L. H. Rothchild, L. H. Rothchild & Co.; B. F. Story, Brundage, Story & Rose; James F. Hughes, Smith, Barney & Co.; H. Slade.

Canadian Securities

By BRUCE WILLIAMS

The great natural resources of Canada have not alone been responsible for the emergence of the Dominion among the leading nations of the world. To the wisdom and courage of her statesmen also no little credit must be accorded. On the few occasions during the war when international conferences have been held it is apparent that Canada has demonstrated that henceforth the Dominion will be a vigorous constructive force in world affairs.

The dominant voice in the London meeting of the Dominions' Prime Ministers was that of Mr. Mackenzie King of Canada, whose address to the joint session of both Houses of Parliament was the highlight of the London Conference.

Mr. King spoke as the representative of a North American people, mindful of its ties with the United States and its key position in bridging the gap between Britain and the American peoples, but also proud of its membership in the British Commonwealth of Nations, which association of free British nations he hoped one day would serve as a model for a new world order based on the full cooperation of all world powers.

It is apparent that Canada has reached the stage where she is fully conscious of her assured position among the adult nations of the world and it is now no longer an exaggerated flight of imagination to visualize Canada as the ultimate leader of the British Commonwealth. This can be realized only when the vast empty spaces of the Dominion are more adequately populated and the prospects were never more favorable for the solution of this problem.

An aftermath of all wars on the Continent of Europe is the desire of demobilized youth to seek a fuller existence overseas. Through the Commonwealth Air Training scheme, young men from nearly all the United Nations are acquainted with Canada and there is little doubt that many will return after the war in preference to remaining in war-ravaged Europe. Since the last war also Canada has become an important industrial country and if Britain gives serious attention to a greater centralization of British industry in the Dominion, the problem of population will be largely solved.

Our industrialists have not been slow in appreciating the possibilities of the establishment of branch plants in Canada, but it is rather surprising that our financial interests still look somewhat askance at investment within the dominion.

In particular it is remarkable that with a few notable exceptions our commercial bankers are poorly informed on Canadian conditions. Some headway has been made during the past year but possibly only because the wartime achievements of the Dominion have been impossible to ignore.

Now many commercial bankers are paying closer attention to Canadian affairs, but not until definite commitments are made will they really have a proper grasp of the situation. From this point onwards they will appreciate to a greater degree the tremendous possibilities of expansion that exist in Canadian business generally. As frequently mentioned, in order to fulfil our obligations as the leading creditor country of the world, our banking fraternity must develop to a greater extent an international perspective, and a sound preliminary step would be to start in Canada.

With regard to the market for the past week, there was continued strength displayed in most sections, and again especially in Canadian National Railway issues which have now improved about 2 points since the beginning of the year. Several short-term Ontarios and Torontos also touched their all-time high levels. The only outstanding lagging situations in the short-term category are the British Columbia issues in the 5-year area, which on a 2.80% yield basis appear very attractive.

Considerable attention, naturally, was devoted to the new Edmonton offering which at the time of this writing is proceeding satisfactorily. In this connection, it is interesting to note that the total funded debt of the municipality of $19,848,291 compares with $27,144,415 outstanding on Dec. 31, 1938, and the percentage of tax collections to the levy during 1943, including arrears, was 124.30%.

The internal issues continued in such steady demand that the Canadian dollar in the "free" market reached the official selling level; it is now evident that this section of the market is receiving increasing attention, and the foreign exchange complication is no longer proving a barrier to investment.

In considering the future course of the market, although the present level is high, there is still a disparity in favor of high grade Canadian securities when comparison is made with similar domestic issues. Furthermore, there is still evidence of a steady broadening of interest which, if translated into action, should at least maintain the existing price level.

A One-Way Credit Structure: The International Stabilization Fund

(Continued from first page)

plus of one country so as to pay for the import surplus of the other, and that this is expected to be a reciprocal process. A country that is in the red this year, and draws on the pool to cover its international deficit, may have a favorable balance next year. Critics have been skeptical about the prospects of such a cycle, pointing out that the prevailing conditions as well as the policies of many countries are likely to put them for many years in an unfavorable position on current international accounts. The old plans (as we shall call them) recognized this possibility; Keynes, in particular, suggested that the creditor, i. e., the country with a chronically favorable balance of payments, should be induced either to use his excess credits for buying goods from the debtor, or to leave his credits with the latter in a more or less permanent fashion.

The new proposal of the anonymous official experts goes a long, if logical, step further. Instead of the Keynesian "inducements," it suggests compulsion, as formulated in the following seemingly quite innocent provision (under III, No. 5):

"So long as a member country is entitled to buy another member's currency from the fund in exchange for its own currency, it shall be prepared to buy its own currency from that member with that member's currency or with gold."

The involved language serves to "hide the thought," as the adage says. What's wrong with the debtor's promise to return the creditor's money (or gold) if asked to do so? It's the "so long as" that matters. Each member country is supposed to have a quota which permits it to ask for other members' currency against its own money. If, e. g., Russia has to pay for imports from the United States, she offers rubles to the fund and gets dollars with which to settle her unfavorable balance. Now, then, according to the paragraph quoted, she has to be "prepared" (whatever that means) to return dollars if and when the United States asks for them—provided she did not exhaust her quota. To put it the other way: **only** "so long as" a country hasn't exhausted its quota, shall it be prepared to return whatever amount it has borrowed; **after** that it doesn't have to be prepared. In plain English, once Russia has borrowed up to the limit of her credit line, she is under no obligation any more to return the money, not even if she has it. She may refuse to pay, and remain a member of the Fund in good standing.

The creditor country in turn has the "right" to let his claim stay where it is, or to use it for buying goods from the debtor—such goods and at such prices as the latter chooses to offer. (Remember the aspirins and mouth-harmonicas Dr. Schacht used to unload on Germany's unfortunate clearing-creditors?)

The Camouflaged Bank

Another step "forward" in clarifying the objectives of this planning on an international scale appears in the form of the proposed Fund, as compared to the old plans. The latter were presented as banking (Keynes) or clearing (White) institutions. All such pretense, or admission, has now been dropped. The Fund is being offered instead as an institution that merely exchanges one kind of money against other kinds. Nominally, there are no creditors or debtors; there are only money changers who buy dollars and sell rubles, or what have you. The Fund is dressed up as if it wouldn't provide credits at all; nor is it supposed to take any (except that it might borrow from a member whose currency became "'scarce." Its function is limited allegedly to providing a market on which each government can "buy" the currency of the other at fixed rates of exchange. (III, No. 3: "The operations of the Fund's account will be limited to transactions for the purpose of supplying a member country . . . with another member's currency in exchange for its own currency or for gold.") No intimation is forthcoming that United States dollars and Siamese **bahts** may be of different "currency": that they may imply entirely different degrees of convertibility into gold or goods, so that the exchange between them amounts in reality to exchanging money against the unsecured promise of returning money—which is the essence of every credit transaction (without collateral).

The intention to camouflage the real nature of the purpose to which the money of the creditors shall be put, should be obvious. If it were a matter of merely exchanging one currency against another, no special institution would be needed; the mechanism of the foreign exchange markets, free or managed, could take care of it in the future as it did in the past. A Fund is only needed because the currencies to be absorbed are unsalable; their "exchange" against gold or convertible money amounts to a capital (credit) transfer from one country to the other. The smoke-screen of an exchange-intermediary is necessary, however, so as to make the main features of the proposal appear logical—and palatable.

The Smoke-Screen of Equal Contributions

To begin with, it permits creating the appearance as if each country were to contribute to the Fund, and to enjoy its benefits, in an equal or at least proportionate fashion. Given the par value between the currencies, each member country is entitled to "buy" the money of any other member in exact proportion to its own contribution, which in turn is to be determined by preliminary agreement. According to a semi-official release, the approximate paid-in quotas of the leading nations are to be: United States, $2.5 to $2.75 billions; Britain, $1.25 billions; Russia, $1 billion; China, $0.5 to $0.6 billions; Canada, $0.3 billions. Each member may purchase the currency of others to the limit of 200% of its own quota. That would be fair enough, in spite of the arbitrary choice of the quotas (which seem to be a sort of compromise between the previous Keynes and White suggestions), if the underlying "contributions" wouldn't mean in reality entirely different things, depending on the international position, gold reserve and foreign exchange policy of the "contributing" countries.

(a) Every dollar of United States currency paid into the Fund means, evidently, that a dollar is put at the disposal of some other member with which to stop the gap in the latter's unfavorable balance of payments. (It should be obvious that the United States is not supposed to use its quota to borrow from the Fund; otherwise, how could the bankrupt currencies be stabilized?) A dollar's "worth" of Russian rubles, on the other hand, means that Russia is entitled to draw two United States dollars from the Fund. The one act means readiness to lend; the other, to borrow. The one is a real contribution of purchasing power; the other contributes a claim **on** purchasing power. To treat the two "contributions" as equal in anything but name is nonsensical.

(b) Each "contribution" is to consist of the respective country's currency and of gold. At least 90% of the world's currencies is inconvertible at present, and most of them are bound to stay inconvertible. True, the members of the Fund are supposed to maintain the par value of their money (against gold), but this emphatic rule is made entirely illusory by a number of exceptions. (1) The paragraph quoted above (III, No. 5) obligates the debtor to convert his own currency, presented by the creditor country, **provided** the former can borrow the necessary amount of good money from the Fund. "So long as" Siam can obtain dollars from the Fund, she has to be prepared to return the dollars we gave her. (2) Even that obligation, little as it means, holds only under the proviso that she did not declare her currency which is in our hands to be under restriction. She is entitled to block it at her discretion during a transitional period of undefined length; and also later, if it has served "capital transactions" beyond a "reasonable amount," the definition of which can be chosen more or less arbitrarily. (3) The debtor (say, Siam) obtains dollars from the Fund and uses them for imports. But the Siamese paper—**bahts** it throws in as counter-value are to be held in Siam. Should Siam resign from membership, which she can do by giving "written notice"—presumably typewritten; not by a cable or phone call, I suppose—we can't even sell her currency on the black market, since we won't have it. All she is obligated to do after resigning, is to have her debt "liquidated within a reasonable time," the terms to be set by herself, with no provisions for enforcement. This is what the experts called (I, No. 3) "making the Fund's resources available . . . under adequate safeguards."

(c) That every member contributes in gold a reasonable fraction of its subscription, is another illusion conveyed by the proposal. The "obligatory gold subscription" (II, No. 3) is set at 25% of each member's quota, or 10% of its holdings of gold and convertible foreign exchange, whichever is **smaller.** This means that the United States would have to put up at least $500,000,000 in gold, while Britain's share would be the sheer trifle of about $3,500,-

000, assuming her "visible" gold reserve as at present. The United States would be the only country that contributes a major amount of gold, and it may be worth mentioning that there is no provision as to where the gold should be held, nor is any control suggested over the members' freedom to manipulate the size of their (official) holdings, if they wish to do so. At any rate, it is a unique innovation that **the creditor, not the debtor, has to put up a substantial collateral!** The idea seems to have originated in Washington.

A Bank Managed by Debtors

Since the Fund is camouflaged as if it had nothing to do with credit-giving, and the distinction between creditors and debtors is carefully avoided, all members are treated as equal and the distribution of voting power is to be "closely related to the quotas" (VII, No. 2). This applies to both the Board and the Executive Committee of the Fund, on both of which all decisions are to be taken by simple majority (disregarding the two marginal cases of a change in the original quotas, and of a simultaneous change of the gold content of all currencies).

In practice, this amounts to handing the management to the debtor countries, since out of the \$8-\$10 billions of total "contributions" the United States will be represented by less than 35%, fully matched by the combined quotas of three presumptive debtors: Britain, Russia, and China. (Dollars borrowed by the Fund in the United States, in addition to our quota, will carry no voting power at all.) As a result, the Fund's structure will resemble the labor banks of the famous anarchist Proudhon, in which the borrowers were to determine the amount and the conditions of their own loans. The spurious system of credit-control by the debtors is in the present case of far-reaching significance, due to the discretionary powers the management is to exercise.

Aims and Means

This leads us to the vital question: what are the controls, if any, by which the disbursement of funds (the exchange of good currency against bad) is to be managed so as to provide reasonable assurance of fulfilling its essential purpose, the stabilization of currencies and the elimination of monetary obstacles to international trade? Evidently, the mere giving away of money is no guarantee for restoring the distressed balances of payments. What matters is to create sound underlying conditions, or at least to promote their restoration. Our sacrifice of a few billions would be more than worth-while from our own point of view if we thereby contribute substantially to international equilibrium. How does the new project fit the objective it is supposed to accomplish?

The answer is, in the first place, a matter of quantities. The London **Economist** estimated recently that in the first post-war years Britain's deficit on international accounts will be no less than \$1 billion annually. Britain might exhaust her entire quota in the first year, even if, as it is generally assumed, the foreign, some \$10 billions of "war-time balances" in London will be frozen, and capital exports from Britain will be prohibited. And the financial needs of other countries might be more urgent than those of England. In short, the Fund is much too small in comparison to the needs it is supposed to satisfy. The original Keynes proposal, which involved some \$30-odd billions, was far more realistic than the present "drop in the bucket." (The same holds **exfortio** for the \$500 million revolving fund project of Rep. Charles Dewey.) Of course, there are other plans hanging over the fire to supplement this Fund, ranging from the \$1½ billions the UNRRA is to receive, to the \$10 billion project of an international RFC. The point is, however, that it is useless to discuss a stabilization fund as an isolated item. Useless to spend \$3 billions on a medicine that merely postpones the crisis for a very short while, without starting on the fundamental cure at once.

Of course, the "experts" are fully aware of the fact that most serious disequilibria exist, and are likely to persist. What are they proposing to cure them beyond giving a temporary and limited respite to the countries in trouble? Even within its quantitative limitations, the Fund is so constructed as to offer escape clauses to the debtors rather than policies to clean up unhealthy situations.

Ineffective Controls

True, no member is supposed to draw more than 25% of its quota in any single year (unless the Fund's holding of that member's currency has fallen under 75% of its quota, a situation that could scarcely confront any but a creditor country). This would merely stretch the lifetime of the Fund, if it were applied rigidly. But even this meager protection is made illusory by the rule that the management — by debtors, mind you—may waive it at its discretion. Nor would a debtor country be restrained by the provision that the "sale" of its currency to the Fund should be cut to one-half if and so long as its own holdings of gold and gold-convertible exchange exceed its full quota: debtors are bound to have more quota than gold.

True, too, the Fund may decide on each request for "exchanging" one kind of currency against another whether or not it conforms to the objectives. However, the debtor-majority of its management not only has discretionary powers, but is actually bound by statute to decide in favor of the debtor point of view. The statutory objectives of the Fund, such as "to facilitate the expansion . . . of international trade and to contribute . . . to the maintenance of a high level of employment," or "to give confidence to member countries . . . giving members time to correct maladjustments in their balance of payments," or, "to promote exchange stability," etc., all permit only one interpretation: that insolvent members may import all the goods they want for "expansion," and send the bill to the Fund. The latter may refuse to pay by suspending the member on the ground that it is using the resources of the Fund "in a manner contrary to" its purposes and policies; but this is pointless since there is little restraint in buying goods abroad for such virtually unlimited purposes as the maintenance of employment.

Abandoning the Gold Standard

It is easy to maintain the exchanges at par if funds are available, practically without control, as is the evident implication of the present plan. But the crucial test of an international monetary system is its ability to bring about readjustments. Under a **gold standard** of the more or less "automatic" variety the correction of distressed balances of payments is accomplished by inducing two closely interrelated processes: a capital flow toward the distressed country; and such adjustments in price levels as are necessary to re-establish the equilibrium.

Nothing of the kind is planned or suggested in the present project. The monetary system established by the Fund is not a modification of the gold standard; it is a complete abandonment of its essential features. That the parities are to be defined in terms of gold, and the members are obligated to sell and buy gold at par, or that a minor amount of gold is to be paid into the Fund, are sheer concessions in form which do not affect the substance of the new monetary system. Its substance is to throw the gold standard overboard in all but name, and to do so first by keeping its mechanism from going into gear, and then by sanctioning its formal abandonment.

Instead of compelling the debtors to reorganize their legal and economic houses in a fashion that would permit the reopening of commercial credit channels and the automatic adjustment of price and cost levels, the proposal amounts to providing the distressed nations with a breathing spell, without even suggesting any reform to restore the functions of free enterprise. Note the difference against the none too encouraging credit rescue actions after the last war (Dawes loan, League of Nations loans, etc.) which made at least an attempt to restore the foundations of normal business in the debtor countries. This time no such attempt is being suggested by the official experts. The consequence will be, obviously, that the initial credit provided by the Fund will not start the flow of commercial capital from the creditor to the debtor nations.

Disequilibrium In Permanence

Nor does the plan permit restoring as much as a residual of the gold standard's self-adjusting price mechanism. As a matter of fact, it accepts international disequilibrium from the outset, and sanctions its permanent maintenance. It does so by condoning, if not fostering, the continuation of the two major methods of monetary warfare, which were a major cause of the world's economic **malaise:** exchange restrictions of the German type, and competitive devaluations of the Anglo-American brand. Exchange restrictions are permitted from the outset, as pointed out above, on the ground that they may be needed as "transitional" arrangements, with no time limit nor any other criterion set for their discontinuation. In addition, members are entitled to keep up restrictions on international capital movements indefinitely, and almost any transaction may constitute or imply a capital movement. And if a currency held in the Fund becomes "scarce" (i. e., if the dollars paid-in near exhaustion) and the Fund declares that the scarce currencies have to be apportioned among those who demand it, this decision "shall operate as an authorization to a member country . . . to restrict the freedom of exchange operations (of all kinds) in the affected currencies," In short, after the Fund runs out of money, if not before, the debtors may run for cover by turning to the unrestrained practice of exchange restrictions, which in turn will compel them to bilateral clearings and similar vicious trade policies.

The stability of exchange parities is purely nominal if it is accomplished by exchange restrictions, which in effect eliminate the freedom of dealing in the respective currencies, and the possibility of a genuine multilateral trade system. The more so, if the debtor countries are free to change on short notice the gold par of their currencies. The Fund **cannot refuse** its approval of a **devaluation** if it is "essential to the correction of a fundamental disequilibrium," or "necessary to restore equilibrium" (IV, No. 3). But in deciding what is essential or necessary, the Fund's hands are bound in advance by the prescription that it **cannot** reject a devaluation—of 10% at a time—requested "because of the domestic social or political policies" of the debtor country. In other words, if a country is unable to balance its international accounts because it reduces its own exports by maintaining artificially high wages, called "domestic social policy," or because it raises its imports of foreign goods, beyond its capacity to pay, for "domestic political policy" purposes, then the Fund has to grant that country the privilege of spreading the disequilbrium by devaluing its currency.

Spreading Disequilibrium

If prices and costs are out of bounds in a debtor country, it is not supposed to correct them. All it has to do is to draw its quota first, then proceed to devalue its currency, and/or to put it into the strait-jacket of comprehensive exchange regulations — methods which are "helpful" only by reducing the exports of other countries and the claims of foreign creditors. Both methods result necessarily in paralyzing international credits, and compressing the volume of international trade, with obvious consequences for the internal economy of each participant. In other words, spreading disequilibrium is the cure for disequilibrium, as proposed by the "experts" under the pretext of stabilization. The only other cures they propose consist in asking for more money from the creditors (by borrowing from them additionally, or by raising the quotas) and of devaluing all currencies simultaneously. The one means, of course, to throw good money after the bad, and can scarcely be repeated too often. As to an "agreed uniform" devaluation, it can only have one meaning: to print more international currency (dollars) on a given gold basis, and to assume that this will provide more purchasing power—provided prices won't rise.

NY Analysts To Hold Annual Meeting May 19

The New York Society of Security Analysts will hold its annual meeting at 1 p.m. on Friday, May 19, at 56 Broad Street, New York City. All members are urged to attend and participate in the election of officers.

A proposal that the dues be increased from three dollars to five dollars per year will be voted upon. This proposal would involve an amendment to the Constitution of the Society.

The retiring officers will make short reports and the members will have adequate opportunity to bring pertinent matters to the attention of the Society or of the Executive Committee.

At the regular luncheon meeting scheduled for May 24, T. P. Walker, President of Commercial Solvents, will speak on the Post-War Outlook and Introduction of New Products.

On May 26 Pierre Bretey, of Baker, Weeks & Harden, will speak on recent reorganization developments in Soo Line, Western Pacific, North Western and Rock Island.

More Railroad Riddles

(Continued from first page)

agencies in order to prevent them from charging the public too much.

This paradox of minimum and maximum strength was dramatized in the important rate case of 1938. An industry, so pathetically weak that it was unable to charge enough even to maintain solvency, was so powerful that it must be closely guarded and policed to prevent it from charging more than was just.

As time goes on we may expect this paradox to be resolved. The railroads may be the weakest industry in the country or they may be the strongest but they cannot be both. Some day we will surely know the answer, but so far the confusion of thought has not lessened; on the contrary, it has increased. In the years subsequent to 1938 the pessimistic viewpoint seems to have gained. It was during these years that reorganization plans, approved by the Commission and likewise by important investment groups, wrote off large amounts of railroad investment as permanently worthless; in fact, so completely and utterly worthless as not even to justify recognition in the reorganized company in terms of no par value common stock.

This pessimistic viewpoint persisted even when the results for 1941 showed freight traffic at the volume of 1929. It persisted in 1942, when volume increased still more, and it persisted in the year 1943 when freight volume was 63% above 1929 and 80% above 1918, the peak of World War I.

The unexpected experience of our need for railroad transportation failed to restore confidence in future railroad earning power even when operating efficiency attained levels far above anything hitherto known, and even when net earnings soared to undreamed of heights. Pessimism refused to be shaken. "This is my story and I am going to stick to it," was adopted as the firm principle. Increases in operating efficiency are largely ignored and increased earnings are ridiculed as war-boom earnings, and further disparaged by stating them after payment of taxes, as if the railroads had not earned the money they paid in income taxes.

I think it is accurate to say that today a large part of the investing public rejects, or at least almost completely discounts, all favorable evidence in regard to our railroads and emphasizes all unfavorable evidence. This is an unusual psychological situation but it is not without precedent. A study of the past establishes the fact that trends, either good or bad, are accepted as permanent when they have persisted over a sufficiently long period. Once such trends are accepted as unchangeable, all evidence, no matter how logical, which would show that the trend is changing, is ignored and all evidence, no matter how flimsy which might show that the trend is permanent, is emphasized.

Let me give you a few illustrations. There was a time in our history when an important government official in his annual report pointed out that the possibility of important business expansion was over. I quote:

> "Discovery of new processes of manufacture . . . will not leave room for any marked expansion such as has been witnessed during the last 50 years. . . . The day of large profits is probably past. There might be room for further intensive but not extensive developments of industry in the present era of civilization."

This official statement was made after a prolonged depression, in the year 1886. The author was Carroll D. Wright, Commissioner of Labor Statistics.

As you all know, this prophecy was wholly and completely wrong. Invention and expansion had not come to an end. So far from the doors of business opportunity closing, they were about to open more widely than ever before. A graphic and amusing description of this form of depression psychology appears in "A Challenge to Freedom," by Henry M. Wriston, President of Brown University. I quote: "It is a strictly modern form of predestination—going to hell on a statistical curve."

This modern form of predestination is not limited to prolonged depressions. It also applies to prolonged periods of prosperity. We not only can go to hell on a statistical curve, but we can also go to heaven on a statistical curve. All of you remember well our heaven-bound journeyings in the late 1920's. You may even remember a description of the trip made on September 8, 1929, by the distinguished economist, Mr. Irving Fisher, in a published article. I quote:

> "We are living in an age of increasing prosperity and consequent increasing earning power of corporations and individuals."

Professor Fisher continued:

> "This is due in large measure to mass production of inventions such as the world never before has witnessed. . . . Dividend returns on stocks are moving higher. This is not due to receding prices for stocks and will not be hastened by an anticipated crash, the possibility of which I fail to see. Dividend returns are increasing due to rapidly increasing earnings."

However, even when practically all of us are going either to heaven or hell on statistical curves there are always a few who see the truth and issue warnings. For example, in the Annual Report of the International Acceptance Bank as reported in the "Financial Chronicle" of March 9, 1929, Mr. Paul M. Warburg pointed out the current dangers in the situation. He emphasized the Stock Exchange debauch, the huge bulge in value of stocks, the operations of incorporated stock pools called investment trusts, the gigantic enhancement of real estate values, the dangers in the colossal amount of loans on securites, the extravagant use of funds for speculative purposes absorbing so much of the nation's credit supply that it threatened to cripple the country's regular business. I can take the time to quote only the following:

> "That the country's banking system is tossing about today without its helm being under the control of its pilots gives cause for deep concern."

Those of you who remember this warning probably remember likewise the scorn with which it was received. Everything Mr. Warburg said was so clear and convincing that the public reaction of the day seems inconceivable. Mr. Warburg was regarded as an old fogy who had not kept up with the times. He was supposed to be intellectually incapable of understanding the new era. At the same time innumerable contrary arguments, most of them utterly nonsensical, were emphasized and reiterated. Mr. Warburg unfortunately died in 1932, so he did not live to see the day when all the banks in the United States were closed, but he did live long enough to see most of his predictions realized.

If we analyze public psychology regarding our railroads today we find a great similarity to the public psychology that accepted as permanent the closing of the doors of opportunity in 1886, and accepted as permanent the new era of perpetual prosperity in 1929.

One of the best measures of operating efficiency in industry is the output per employee. Increased efficiency depends on better capital tools, more skillfully managed. During the 1930's railroad production per worker showed a pace of improvement far in excess of any previous period; in fact, the increase in the 29 years from 1900 to 1929 was 75%. The increase in the 14 years from 1929 to 1943 was 125%. In less than half the time, the gain was 60% greater. Such a pace of improvement in operating efficiency is one of the most important, if not the most important factor to be considered in forecasting future earnings. Now let us see what weight has been given to this factor in current estimates of future railroad earning power. I have explored as diligently as I could all written material in our recent reorganizations involving such forecasts. To my great surprise, I have not been able to find this unprecedentedly favorable trend mentioned even once. This failure on the part of the public to give proper weight to the gains in operating efficiency is characteristic. Practically all other favorable factors are similarly rejected. I could marshall fact after fact but present-day psychology would reject all the evidence I presented for one flimsy reason or another.

My evidence, to be weighed fairly, must be presented in a more favorable atmosphere than the present. This atmosphere I will try to create by asking you to go with me on an imaginary journey. We will go back to 1929 and I will pose as a prophet who knows with certainty what will be the conditions 10 to 15 years later. Those of you who consent to take this trip with me now find yourselves back in the good old summer of 1929, with the stock market booming and everybody optimistic. I now appear before you as an infallible prophet of the railroad future. I am sure you will be intensely interested. At least you would be if you believed my prophecies could be relied upon, and I convince you that they can. Just how I convince you I do not know but you must assume that I do. This is our discussion as it might have occurred.

Q. Mr. Dick, tell us about railroad earnings in 1943; how will they compare with today?

A. Railroad earnings in 1943 will be the highest in history, over double what they are today in 1929, although high income taxes, due to a war, will take half of what is earned. Even so, after giving the government half of what is earned, the balance remaining will be greater than is earned today in 1929.

Q. Mr. Dick, I am curious about the 1943 rate level that will produce such colossal earnings. Obviously such earnings must necessitate a higher rate level. What will be the average revenue per ton-mile in 1943?

A. The rate level will not be higher in 1943 than in 1929; it will be lower. As a matter of fact it will be 13% lower.

After you have recovered from your surprise you will ask:

Q. Mr. Dick, if your accuracy as a prophet were not guaranteed, I would refuse to believe you because what you say implies that wages will have been radically reduced, and such a development is surprising. Compared with today, 1929, how much lower will the wage scale be in 1943?

A. Wages in 1943 will not be lower than today in 1929; they will be higher. The wage scale will have increased about 40%. This answer creates pandemonium.

Q. How in heaven's name, Mr. Dick, will it be possible for the railroads to reduce rates 13%, increase wages 40%, and earn over double the money?

A. The answer is: increased efficiency. The efficiency of our railroads as shown by the number of employees required to do a given volume of business will increase more in the next 14 years, that is from 1929 to 1943, than it did in the previous 29 years—60% more, to be exact.

This time I hear loud cheers. We certainly were all optimistic in this good old summer of 1929 but I do not think any of us were so optimistic as to believe that the efficiency of railroad operation would increase 60% more in the next 14 years than it did in the previous 30 years, nor do I believe that we could have imagined that our railroads by 1943 would have been able to reduce rates and increase wages as they have done and at the same time double their net earnings.

Q. Mr. Dick, you have been talking about the increases in earnings of the railroads as a whole. Can you tell us about individual railroads?

A. Yes, I shall be delighted. I shall not only tell you what each individual road is earning in 1943 but I shall also remind you of what each road is earning today in 1929. As I have pointed out, volume of business in 1943 is materially above current levels so, in addition to telling you what the earnings will be at these high levels, I will also tell you what they were in an intermediate year when gross earnings approximated what they are today in 1929.

Take the Rock Island for example. This road, by the way, in 1943 will have a revenue per ton-mile approximately 20% lower than 1929; wages as I have pointed out will be materially higher. In 1942, with a gross about 7% below 1929, the Rock Island will have net earnings before Federal income taxes of \$41,000,000 as compared with \$26,000,000 in 1929. In 1943 the Rock Island will show net earnings of \$58,000,000. I am of course omitting income taxes from all these figures; otherwise they would not measure earning power.

The St. Paul likewise will show up very favorably. Gross revenues in 1942 will be approximately the same as 1929 but in 1942 the road will earn \$50,000,000 net as compared with \$27,000,000 in 1929. In 1943 the St. Paul will earn \$65,000,000.

The Atlantic Coast Line likewise will do very well. In 1929 it earned \$13,000,000 and in 1943 it will earn \$58,000,000. The rate level of the Coast Line will be down 32%.

The Louisville & Nashville also will do well. Today in 1929 it is earning \$22,000,000. In 1941 with substantially less gross revenues it will earn \$35,000,000, and in 1943 it will earn \$82,000,000.

New Orleans, Texas & Mexico likewise will make a very good showing in 1943 although with this road the increase of volume as compared with 1929 will be very great, over double. New Orleans, Texas & Mexico earned \$3,000,000 in 1929; it will earn \$17,500,000 in 1943. The gross operating revenues in 1929 are \$15,000,000. The net earnings in 1943 will be \$17,500,000.

I would like to give you many more prophecies on individual roads but my time does not permit.

At this point, I can see in your faces not only joy, but I am sorry to say, avarice as well. Now I find myself mobbbed by questioners.

Q. Now, Mr. Dick, let us get down to some really important matters. I want to know what my stocks are selling at. I bought some New York Central yesterday at \$250 a share. If you don't tell me that it will be selling at more than \$1,000 a share by 1943 I shall be crushed.

A. Well, I am going to disappoint you. Rail stocks will be selling in 1943 at a bare fraction of what they are today. New York Central will be selling at \$17 a share. Even worse, more roads will be in bankruptcy than ever before, and many stocks on which enormous amounts per share are being earned are being wiped out in reorganization on the ground that they are permanently worthless. Earning power of many railroads will be considered to have been permanently impaired.

I will not try to describe the consternation nor the incredulity which will greet this answer. If it were not that my prophecies were guaranteed as accurate I would not be believed.

Q. Now, Mr. Dick, how can this be possible? Oh wait a minute, I think I see the answer. In order to attain this increased efficiency the railroads have spent enormous sums of money and have piled up a colossal burden of debt and fixed charges.

A. No, your guess is incorrect. Interest charges in 1943 will not be higher than in 1929, they will be lower. Debt and fixed charges will be materially lower.

Q. Mr. Dick, we are bewildered. You tell us that in 1943 our railroads will be earning double what they are earning today. I realize that they will be paying half of these earnings to the government in income taxes but even so the balance remaining will be more than they are earning today in 1929. With net revenues at such a level it is impossible to imagine that the collapse should be due to an impairment of working capital. Is this correct?

A. The working capital of our railroads in 1943 will be the highest in their history.

Q. Everything you have told us about the condition of our railroads in 1943 is so much more favorable than it is today in 1929 that it is quite obvious that the collapse in prices will be caused by some outside influence, independent of the railroad industry. I suspect that this unfavorable influence will be political. Could it be possible that in 1943 Bolshevism or some form of radical government is about to take over, and that private property is about to be confiscated?

A. No, you have guessed wrong again. The country will go radical, if you wish to call it that, during the 1930's, but in 1943 it will be showing a decidedly conservative trend.

Q. Will this conservatism apply to the Interstate Commerce Commission?

A. Yes, my medium tells me it will. For example, in 1942 the Commission will authorize an increase in rates with earnings as high as they are today in 1929.

Q. Now you have got me completely confused. The reasons for the collapse in stock prices cannot be due to political or regulatory conditions. Today, in 1929, we cannot get rate increases in parts of the Western District where the need is greatest. And you tell me that in 1942, with earnings well above this level, the railroads will be granted an increase. Regulation in 1943 will be clearly more favorable than it is today.

A. Yes, that will be true.

Q. Well, Mr. Dick, I give up. I am not going to try to guess any more. Tell me what reasons will be given in 1943 to account for the collapse. From the facts you have given us our railroads will obviously be in a far stronger condition than they are today in 1929 and yet at the same time you give us prices of railroad stocks which indicate

not strength but catastrophic weakness.

A. In 1943 the public will be extremely pessimistic about the future of our railroads for many reasons. In the first place, we will be in a very severe war, a more serious war than World War One, and everybody will be convinced that after the war traffic will decline and railroad earnings collapse.

Q. But, Mr. Dick, that does not make sense. In the years following World War I, from 1918 up to date in 1929, our railroads had the greatest traffic and best earnings in their history. In fact the volume of traffic was greater in the decade after World War I than it was in the peak war year. Why will the public expect a complete reversal in the years following World War II?

A. I am sorry I cannot give you a logical answer. The convictions of the public will not be based on a logical array of facts but rather on some intuitive process.

Q. Mr. Dick, the conditions of 1943 that you describe seem to us like an unanswerable riddle. Everything about the railroads will be far better than it is today in 1929 and yet everybody will be forecasting complete and utter disaster. Can you give us any sound basis for these fears?

A. I am sorry, but I do not think I can give you any reasons which would appear convincing to you in this year of 1929, except to say that you should realize that during the 1930's the country will experience the most severe depression in its history. General business and railroad traffic will collapse to a degree never before experienced. At the same time, a radical form of government will experiment with many new economic theories. Wages and costs will be forced up during the depths of the depression before the volume of business increases, and at the same time the Government will impose increased taxes and other forms of expense. Likewise the pressure on rates will be very severe, not only on account of the depression, but also by reason of a governmental failure to recognize the need for adequate earnings. As a result, railroad earning power will collapse. Many bankruptcies will take place. By 1943 this situation will have changed, and there will be a strong conservative trend running. However, the public will still be under the influence of depression fears. Whereas in 1929 all of you are optimistic, in 1943 you will all be very much depressed. Whereas today you are ignoring many dangerous signs and many unfavorable factors and emphasizing the favorable ones, in 1943 your outlook will be completely reversed. You will find yourselves, for example, scorning all the favorable evidence that I have given you in regard to earning power and the improved competitive position of our railroads based on increased efficiency. Your pessimism will be so great that you will find yourselves putting through drastic reorganizations of railroads on the basis of a permanent impairment of earning power at the very time when many of these roads are earning more than ever before in their history. You will find stocks earning $20 and even $25 a share wiped out as permanently worthless and you will find one road, the Western Pacific, the stock of which will be considered worthless, due to a lack of earning power, notwithstanding 1943 net earnings seven times larger than the net earnings of 1929. In fact, the net earnings of 1943 will be greater than the gross earnings of 1929. With this parting shot we might as well bring our 1929 conference to a close and return to the present year of 1944. I feel certain, and I think you will agree, that it would be utterly impossible to convince a 1929 audience that our present-day fears of impending railroad disaster are justified. Now that we are back in 1944 let us try calmly to study the facts and reach some conclusion as to the outlook for railroad securities.

In the first place, I think you will all agree that our pessimism is in large part due to the depression atmosphere of the last ten years. I think you will also agree that many of the arguments brought forward to justify the hopelessness of the situation are sheer poppycock. Of course there are many points that we did not have time to cover in our journey back to 1929 and I have not the time for further elaboration now, but I would like to call your attention to just one other argument that illustrates my point. That is the argument that the present rise in railroad freight traffic is accounted for to a large extent by the fact that truck competition has been radically diminished due to the rubber and gas shortage. This is simply not true because the reports of the American Trucking Association show that tonnage carried by truck has not declined but on the contrary has increased very materially. The current volume carried by trucks is approximately 80% above the volume of the three-year period, 1938-1940, and the volume carried in 1943 was substantially greater than in 1942.

However, although many if not most of the arguments purporting to prove the certainty of railroad disaster are nonsensical, there are certain facts which call for considerable concern. The most important of these is the present relationship between the level of rates and the level of wages. The wage scale since 1929 has increased 47% and revenue per ton-mile has declined to 9.3 mills—13% below the 1929 level, and even 11% below the 1932 level of 1.05 cents.

As long as freight and passenger traffic continue at current volumes this relationship is satisfactory. Cost ratios will remain low, close to the lowest in all railroad history, and net earnings will remain at an ample level, but if volume declines all this can change very rapidly.

Railroad expenses are in part variable, that is, they increase or decrease with the volume of traffic, but in part they are fixed and do not fluctuate with fluctuations in traffic. If traffic declines sufficiently, it is obvious that with rates and wages at their present levels, a point will be reached where even present fixed charges would not be covered. In other words, while today's relationship between rates and the wage scale is satisfactory as long as volume holds, a serious maladjustment will arise if and when traffic declines materially. Theoretically, this maladjustment could be corrected by a rate increase but we have all seen, during the 1930's, the difficulties which our railroads encountered in raising rates under depression conditions.

My personal opinion is that after the war it is extremely unlikely that we shall face a depression such as we underwent in the 1930's and for this reason I view with considerable optimism the prospects for post-war traffic. Obviously, however, it is impossible to predict the post-war level of traffic with certainty and it is likewise impossible to predict the relationship between rates and the wage scale that will exist when and if traffic does decline. Of one thing, however, I am certain, and that is that our railroads will emerge from this war in a far stronger position than that which they occupied after World War I. They are in far better physical shape; their efficiency is at a much higher level and they have had over 20 years experience in meeting highway competition. While I, therefore, cannot predict with certainty the financial strength of our railroads in the 10 years following this war, the superiority of their position today in relation to 25 years ago is so great as almost to defy comparison. I mean this literally. I nearly broke down under the strain of preparing a detailed comparison of the condition of our railroads today with their condition after World War I. I felt as if I were trying to compare a Model-T Ford with a 60-ton tank.

To illustrate my difficulties I would like to point out that our railroads today have a payroll of about $3½ billion. If their efficiency were reduced to the standard of 1920 the payroll would increase to approximately $9 or $10 billion, and if earning power were to be maintained it would be necessary to increase freight rates over 80%.

It is utterly impossible to imagine our railroads today in as shocking condition as they were after World War I. It is clear, therefore, that however difficult may be the conditions which the railroads are going to face after this war, they are immeasurably better equipped to meet these difficulties than they were after World War I.

Bill Proposes Reserve Banks Guarantee Loans To Business For Financing Reconversion

Under legislation introduced in the House and Senate on May 15 the Federal Reserve banks would be authorized to guarantee upward of $500,000,000 in loans by private financial institutions to business for reconversion to civilian production.

Separate bills were proposed by Senator Robert F. Wagner, Democrat of New York, Chairman of the Senate Banking Committee, and Representative Brent Spence, Chairman of the House Banking Committee, said the Associated Press, which reported them as saying that the Government guaranty would stimulate private lending to business turning to peace-time operations. From the same advices (Associated Press) from Washington, as given in the New York "Herald Tribune," we also quote:

"Senator Wagner declared that numerous enterprises would be unable to resume peace-time operations without assistance, especially where firms have invested heavily in war-plant facilities and equipment.

"Besides the reconversion feature, Representative Spence explained that contractors desiring to acquire Government-owned plants or equipment after the war could obtain credit under the proposal.

"'Such guaranties would be available for any types of loans made by financing institutions to business and industry,' Mr. Spence said in a statement. 'Such loans could be made on a short-term or long-term basis and provide either working capital or facilities.'

"Present law limits Federal Reserve System loans to those providing working capital for established business with maturities limited to five years.

"The two Chairmen said a Treasury fund of $129,000,000 already established by Congress would be transferred under the legislation to the Federal Reserve System to be utilized to pay any losses on loans the System may guarantee.

"They estimated the funds would permit 'guaranties of loans in an aggregate amount outstanding at one time of at least one-half billion dollars.'"

Stany Bowlers Hold Dinner Tonight

The Bowling League of the Security Traders Association of New York finished their season on May 4 and are having a closing dinner tonight (May 18) at Angelo's on Pearl Street.

In spite of present conditions a good turn-out was enjoyed during the entire season. The title was won by Duke Hunter's "Stinkies" with 74 games won and 30 games lost. The winning team was comprised of Harry Casper, John J. O'Kane Jr. & Co.; Wilber Krisam, Huff, Geyer & Hecht, Inc.; George Leone, Frank C. Masterson & Co., and Duke Hunter, Hunter & Co.

Second place was taken by John J. O'Kane's "Yankees."

Arthur Burian, Strauss Bros., with an average of 171.03, just nosed out John Ohlandt, J. Arthur Warner & Co., who finished with an average of 170.83.

High individual games for the year were: Charles King, Charles King & Co., 256; John J. O'Kane Jr., John J. O'Kane Jr. & Co., 244, and Leroy Klein, Lebenthal & Co., 240.

Chairman of the Bowling Committee was Arthur Burian.

The Business Man's Bookshelf

Competitive Bidding for Corporate Securities—Donald J. Emblen—The Plain Dealer Press—Canton, N. Y.—paper.

Economic Research and the Needs of the Times—Wesley C. Mitchell—National Bureau of Economic Research, 1819 Broadway, New York 23, N. Y.—paper.

Full Employment, Its Politics and Economics—Chamber of Commerce of United States, Washington, D. C.—paper—5c.

"Hard Money"—Francis H. Brownell, Chairman of Board of Directors, American Smelting & Refining Company, 120 Broadway, New York 5, N. Y.—paper.

Inflation and Investment Policy—A. M. Clifford—A. M. Clifford and Associates, 639 South Spring Street, Los Angeles, Calif.—paper.

New York Laws Affecting Business Corporations, Annotated and Revised to April 18, 1944—(25th Edition)—United States Corporation Company, 150 Broadway, New York 7, N. Y.—paper—$2.00.

Tea Under International Regulation—V. D. Wickizer—The Food Research Institute, Stanford University, California—cloth—$2.50.

Wolf! Wolf! Are We Hoaxed Again?—A. M. Clifford—A. M. Clifford and Associates, 639 South Spring Street, Los Angeles, Calif.—paper.

A. D. Mayfield Joins C. W. McNear & Co.

(Special to The Financial Chronicle)

CHICAGO, ILL. — Arthur D. Mayfield has become associated with C. W. McNear & Co., 105 West Adams Street. Mr. Mayfield was formerly Vice-President of Providence Securities Corporation and prior thereto was with Otis & Co. and Stifel, Nicolaus & Co., Inc.

Leverage On Bank Earns.

Huff, Geyer & Hecht, 67 Wall Street, New York City, have prepared an interesting discussion of the leverage on bank earnings. Copies of this may be obtained from the firm upon request. Also available on request is the April issue of the Insurance and Bank Stock Evaluator, a comparative analysis of 82 insurance companies and 38 banks, which contains a memorandum on the outlook for bank stocks.

Savings Banks In Peacetime

(Continued from first page)

ment the responsibility of investing these funds in securities that can be marketed, if need be, or repaid at maturity without sacrifice of the principal sum. The second desire of depositors is that the dollars paid back to them shall have at least as high a purchasing power as when the deposits were made. They have a claim for the number of dollars deposited. They hope that the value of these dollars will not diminish. Bank management accordingly is profoundly concerned over any possibility of an advance in prices with all that such an advance implies. If there is inflation depositors will receive less purchasing power than they originally accumulated. Also any considerable rise in the price level or in interest rates may depress the market price of fixed income securities and correspondingly reduce the market value of savings bank assets. Each of you can estimate for your own bank how much the market value of its assets would be reduced if there should be a decline of United States government bonds comparable to that following the First World War.

It is highly important for us to keep in mind several basic considerations. One is that in a very real sense the burden of this war is not being shifted to the future. Weapons, ammunition, uniforms and the countless other items needed in warfare must be supplied now and are being supplied now. Our total national income has been enlarged and much of it appears in a form usable primarily in the conflict. The war cost is being met to only a very slight extent out of past production and, of course, can not be met out of future production. To a moderate extent future efforts will be needed to make up for neglected depreciation and renewal of inventories, but these are relatively small items.

Second to be remembered is that when individuals, e.g. depositors in banks, have saved they have merely accumulated claims on the future national income. Any growth in savings bank deposits is merely a growth in the number of claimants and in the aggregate of their claims on that future national income stream. In the years following the war we shall as now be living on current production. What we desire is that the national income of the future be as large as possible and that it be divided among the people of our country in a manner that seems to be fair and workable.

This leads to a third observation or rather to a query. Deposits in savings banks have increased and this growth is very properly acclaimed as an evidence that "the American people are restricting their spending and applying their will to save for personal and national requirements." But this leads us to ask what we mean by saving and whether in a broad sense real saving has occurred. If we can think for a moment of our entire national economy we may say that saving occurs when people refrain from buying consumer's goods and turn over their purchasing power to savings banks, insurance companies and other institutions or directly purchase securities. The funds thus "saved" by them are used by borrowers who make additions to capital equipment. With enlarged productive capacity there is a greater output, a larger national income. Each borrower is able to service his debt, paying interest (or dividends) to savers and repaying principal of the debt at maturity.

But are current savings being so invested directly or indirectly in ways that will give us an enlarged national income in the years ahead? The answer is by no means a clear affirmative. A glance at the assets of our financial institutions shows that there has been a rapid growth both absolutely and relatively in holdings of federal government securities. For example, the mutual savings banks of this country reported assets as of Dec., 1943, as $13,042,831,068 of which $6,100,000,000 or nearly 43% were United States Government securities. The Federal Deposit Insurance Corporation reports that at the end of 1943, United States Government securities owned by insured banks amounted to $58,694,000,000 or 52% of total assets. On April 26, 1944, our twelve Federal Reserve Banks owned $12,997,000,000 of United States Government securities including guaranteed securities which were 37% of their assets on that date. In addition they held $18,972,000,000 or nearly 55% of their assets in gold certificates issued against stocks of gold owned by the Government. At the end of 1943 it is said that 49 of our largest life insurance companies owned $11,500,000,000 of Government securities which were 33.4% of their assets. By the end of the next bond drive these amounts and percentages will be still larger.

To the policy of investing in federal bonds we can give our unqualified approval. Yet we would be shortsighted if we fail to realize that these same securities represent only in a small degree any addition to national productive capacity. The borrowed funds have been used to some extent to build new plants many of which, with or without conversion, can be used for peace time production, but the larger part have been spent in ways which give no material basis for a large national income in the years ahead.

This means that the managers of our savings banks are not holding assets which in an almost automatic manner will furnish income for depositors. The value of many of these assets is dependent upon the ability of the Federal Government to service a debt which may rise to a total of, say $300,000,000,000 or more. On June 30, 1943, the computed average rate of interest on the Federal debt was 1.979%. If we assume for postwar years an average interest rate of, say, 3% and amortization at as low a rate as 2%, debt servicing will call at the outset for Federal taxes of $15,000,000,000 per year plus whatever may be needed for the ordinary operating costs of the government, perhaps a total of $25,000,000,000. If any of you think the assumptions as to debt total or rates of servicing are wrong, the figures given may be raised or lowered to suit. The principle is the same.

Put more bluntly the amount of real national savings is far less than the total of individual savings. Liabilities of banks, of insurance companies and of other debtors have grown more rapidly than have additions to the productive capacity of the country. If these liabilities are to be honored there must be in the future a large national income from which the amounts called for can be met through taxation. Moreover if depositors are to receive upon repayment the amounts they have really saved the price level must be kept from rising.

If this be true the members of this Association are faced with some difficult decisions. Presumably they will be insistent that public expenditures should be kept down, both now and later, in every reasonable way. Wasteful and reckless public spending should be opposed. But the border line between wise and unwise public expenditures is not a distinct one and there will be many heated disputes. Moreover the field within which economies can be effected without a default on contractual obligations is very small compared with the total.

Beyond this, there is every reason to demand heavy taxation and for two reasons. One is the direct need for Federal revenues adequate to service the debt in which so large a part of bank assets has been invested. The other reason is that a failure to impose heavy taxes increases the dangers of inflation. During the war and perhaps to a less degree after the war ends, the government must and will secure funds. If inadequate amounts are secured through taxation and bond purchases from real savings the balance will be raised through devices that mean open or concealed inflation. But heavier taxes will probably fall in part on the depositors in savings banks, presumably not through a direct tax on deposits, but in other ways. Certainly taxes will be levied on corporations and on income from property of all sorts including income from bonds and mortgages.

Another difficult decision will be that of determining what are the proper activities of government. It is still common to speak of any extension of government controls as interference, but we have traveled a long way from the time of Adam Smith and laissez-faire. Government activities have grown both intensively and extensively with all this growth implies both for good and for ill. It is now generally recognized that a recurrence of unemployment and of business failures will mean government assistance comparable to that of some ten years ago. Business men are acutely aware of this possibility. Independently and in groups such as the Committee for Economic Development they are planning for a sane approach to peace time conditions but with less unreasoning hostility to government and with a readiness to concede that both governmental and private activity will be needed. The managers of savings banks should pass on the many issues that will arise with a realization that one of the basic tests is whether a given policy will maintain a large national income and large federal revenues without any appreciable rise in the level of prices.

This leads to important conclusions regarding domestic affairs and foreign affairs. At home there are two matters of vital concern to this group. One is that the national income be raised to and maintained at the highest possible level. There are many reasons, but only one of them will be emphasized. We have suggested that annual Federal Government expenditures may be $25,000,000,000. This calls for collecting each year through higher taxes a greater percentage of individual and corporate incomes than in the past. What is thus collected, is, of course, not destroyed but is promptly disbursed in meeting government obligations but it is by no means easy to devise and administer tax legislation that will seem fair and that will not hamper productivity and hence lower the national income. If the national income is $150,000,000,000 the suggested taxes must collect 16⅔% of that income, but if the national income falls to the $42,000,000,000 of 1933 collections of $25,000,000,000 would be 60%.

A certain measure of temporary relief would be found if prices should rise. Thus a national income of the same physical volume as that of 1933 might be valued at $150,000,000,000. For the Federal Government to collect $25,000,000,000 from this $150,000,000,000 would be easier than to collect the same amount if the national income were valued at $42,000,000,000 as it was in 1933. But the rise of prices would presumably lower the market value of the fixed income assets of our banks and more important would mean that depositors who are merely entitled to a fixed number of dollars would suffer a tremendous shrinkage in the purchasing power of their savings. Moreover such a rise in prices would almost certainly be followed by a later collapse with the appalling losses of a period of deflation. Bankers have in the long run nothing to gain and much to lose by inflation. They have much to gain if the price level can be kept down.

Accordingly bankers as citizens and also in their own interests, ought to cooperate to the limit in price control. While retaining the right to criticize the actions of Congress and of all other government bodies they owe it to themselves and to the country to support every proper effort to prevent a price rise. Our officials will make mistakes and should be criticized for them, but on the whole the Office of Price Administration, the National War Labor Board and other bodies and individuals are making a herculean effort to "hold the line." The chief danger now is that their position will be weakened not by any disagreement on principles, but by sniping tactics and by legislation that will unduly hamper prompt and effective price control. We owe it to ourselves to refrain from advocating relief for special groups which, if granted, will make it harder for our public officials in other directions. An illustration is the current demand for a raising of rent ceilings. Prices have thus far been held in a remarkable manner. There has been an advance, but for months the wholesale price and the cost of living indexes have remained almost unchanged. Even after due allowance for the imperfections of these index numbers, the results are striking.

Even if the national income is kept as nearly as possible at the present $150,000,000,000 and without a rise in prices, taxes must be higher than ever before. Again we may repeat that waste and inefficiency in government should not be tolerated. But having said this, we must and should have higher taxes. Our administration called this year for additional taxes amounting to $16,000,000,000, later reducing this to $10,500,000,000. Congress responded with increases amounting to an estimated $2,375,000,000 and some business leaders argued against any increase. This means more bond sales and many of the bonds must and will be taken by institutions. Many such purchases will be made from real savings, but unfortunately many will be financed in ways that will make it harder to hold inflation in check. This statement holds not only for the war years, but for at least several years following the war. A public debt may not be a public blessing, but we shall have the large debt. Heavy taxes are the best and the only preventive against financial difficulties or even disaster.

What has been said thus far has to do primarily with domestic affairs. But this is "one world" both in war and in peace. What of conditions elsewhere, for example in Europe? We have observed that this war is being fought by enlarging our national income and by diverting much of this greater income flow to war. A considerable part of it is being shipped abroad and even after the war ends this will continue for some time. For humanitarian and for business reasons, as well as because of political involvements, our economic life is closely identified with economic life elsewhere.

Two misapprehensions should be removed. The first is the belief that it will take many years to rebuild what has been destroyed during the war. Permit a quotation from John Stuart Mill writing a hundred years ago:

> "An enemy lays waste a country by fire and sword, and destroys or carries away nearly all the moveable wealth existing in it: all the inhabitants are ruined, and yet, in a few years after, everything is much as it was before. . . . There is nothing at all wonderful in the matter. What the enemy have destroyed would have been destroyed in a little time by the inhabitants themselves: the wealth which they so rapidly reproduce, would have needed to be reproduced and would have been reproduced in any case, and probably in as short a time."

If this statement seems antiquated remember what happened after World War I. Only a few years after that war ended the signs of destruction had largely disappeared. Railway equipment was soon in good condition, factories had been rebuilt and were equipped with tools and machinery. Or if even the experiences of twenty-five years ago are not convincing, notice more recent occurrences. After the first two years of war it was estimated that the property loss in Great Britain had been only $480,000,000 or but 2% of the estimated real estate values of $24,000,000,000. Even in Greater London a prominent insurance company had suffered a loss of only 3½% on its real estate holdings. Look at the pictures of a restored Coventry only a short time after it was bombed. Read of the rapid reconstruction work done by our engineers in Naples and elsewhere. Notice how frequently it is necessary to rebomb German cities whose economic life was said to have been destroyed by earlier bombings.

A second misapprehension was prevalent after World War I and may reappear. There was a need in Central and Western Europe for working capital but bankers drew no careful distinctions. In many cases the loans were made for long terms rather than on a short-term basis. Often little or no attention was given to the aggregate amount of the loans, to the rates at which exchanges were adjusted, e.g. the raising of the lira from four cents to 5.26 cents, or to the political trends which were bound to complicate the servicing of debts. Central and Western Europe are not areas that need supplies of long-term capital for fixed investments. Short-term loans to supply working capital may be made with the safeguards proper for such loans, but that area is itself a source of capital supply for long-term investment. If political and economic conditions there warrant loans of any kind it will be enough to furnish appropriate amounts on short term. Long-term investments cautiously made and with suitable safeguards may properly be made in other parts of the world.

The tragedy of destruction is horrible and some of the losses can never be fully repaired. But, given an opportunity, rebuilding can be cared for in a few years. The dislocations caused by the war are another matter. Markets are lost and can be regained only with long effort. Trade which had formerly moved in well-established channels has been diverted and must in the future take still different directions. Debtors have become creditors and creditors have become debtors. Prices have risen rapidly in many countries, currency systems have become chaotic, foreign exchanges are temporarily pegged at levels that can not be permanent. It is dislocations such as these that will be hard to correct.

Time permits reference to only a few. Notice first the public or political debts of the First World War. The old reparation claims against Germany will presumably never be revived. But the debts due to the United States Government from 18 countries are still on the books. These obligations of foreign governments, including principal and accumulated unpaid interest, amounted on Nov. 15, 1922, to $11,657,000,000, but 21 years later, on Nov. 15, 1943, the similar total was $14,261,000,000, an increase of more than $2,600,000,000. After all due allowance for any unwillingness of debtors to pay, there were not and will not be enough dollars available in the foreign exchange markets to settle obligations of such size. In the years ahead and after deductions for reverse lend lease

credits, this huge total will be enlarged. Given the kind of economic world in which we live payments will not be possible. The economic and financial facts are clear. It is the particular task of statesmen, not of bankers and economists, to write off these claims. Such payments are all the more impossible because there will be a heavy demand for dollar exchange for other purposes, e.g. to finance our exports.

From what sources can the supply come? There are several. One is through new loans. Private investors will probably be hesitant and it seems certain that loans of considerable size will be made by government agencies. There will be urgent calls to support the efforts of the United Nations Relief and Rehabilitation Administration. If the proposed International Monetary Fund becomes a reality our government will subscribe from $2,500,000,000 to $2,750,000,000 in gold and in United States currency. In addition there will be amounts not yet determined for investment funds through the suggested Bank for Reconstruction and Development of the United and Associated Nations, for the Interim Food Commission and perhaps for an International Trade Authority.

In some ways it makes no difference whether these loans and subscriptions are made through public agencies or through private channels. If the contributions are made as gifts the immediate outlay is the same. If they are loans then there will be additions to the foreign demand for dollars to service the loans. The loans themselves will at the outset furnish dollar exchange, but the additional later burden of servicing the loans will be thrown on the foreign exchanges where the demand for dollars has for years been so heavy.

Ultimately there must be an adequate supply of dollar exchange unless defaults are to occur and the only other source is from an increase of imports into the United States. In the light of what occurred from 1919 to 1939 it is clear that such an increase can not easily be made. If exports are to be maintained the demand for dollars for other purposes must be reduced. The old war debts and the balance from lend lease operations must be wiped out. Any other arrangement is simply unworkable.

From what has been said above, two facts stand out. One is that the savings banks along with the other financial institutions of the United States have become heavy investors in government securities. On behalf of their depositors they are concerned over the maintenance of the market value of those securities and of the value of the dollar. They owe it to these depositors to do everything in their power to help government agencies "hold the line." If prices rise depositors will lose much that they have already saved. Moreover a rise in prices will compel the government to borrow still more, thus involving us in a vicious circle.

This brings us to a reminder of the basic reasons for our large government debt. Most of that debt in 1930 was a heritage of the First World War. Even before the First World War perhaps 60 to 80% of Federal expenditures were for servicing obligations arising out of past wars and for maintaining military establishments as a safeguard in case of future conflicts. Even the additions to the debt during the 30's are to be explained in considerable part by the breakdown of a world economy which in turn is closely related to past wars and to the fear of a war to come. Already in the United States we are planning a program of preparedness for the years ahead. It remains to be seen whether the annual federal budget of $25,000,000,000 suggested above is a serious understatement. Unless and until we can reduce the dangers of future wars and increase the possibility of permanent peace federal expenditures will grow. It is easy to deride the many blue prints of a future world order. But their appearance is a comforting evidence of the seriousness with which the tragedy of this war has impressed thousands and we may hope millions of people.

There is no group in our country who should give more thought to the means of maintaining world peace than the one to whom this paper is addressed. For good or for ill our savings banks through their investments have become dependent on the successful servicing of the federal debt and without inflation. Before this war is over and its debris has been cleared away this dependence will have greatly increased. Already in public and private there are speculations about World War Three. If it should come, the chances of a collapse of government credit are great and a collapse of government credit would be a tragedy that cannot be exaggerated. For our savings banks it would be ruinous.

Jobs—Our No. 1 Post-War Problem

(Continued from page 2028)

Only the peak production of war demands has provided a job for everyone in the United States willing and able to work. That is the reason, and the only reason, why today America's 62,700,000 men and women in the armed forces and the labor forces—America's employables—are today employed. It is not because government, or industry, or capital, or labor, or democracy, or any other device of man, save war, has solved our pre-war mass unemployment problem. War, and war only, is why we have no mass unemployment problem today, as we so acutely had before Pearl Harbor.

By preparing for war, Hitler solved his unemployment problem, while the great, rich, resourceful giant of the Western Hemisphere, the United States, was having the greatest depression of its history.

Deducing the number of employes who will continue to hold their present jobs after the war, the number who will actually be seeking new or old peace-time jobs after the war, will be say 56 million, or 10 million more employables than in 1940. During the war, with production speeded up, labor produced 50% more in goods and services than the nation produced in 1940. And yearly population increase means yearly increase of employables.

The war will stop with the Government:

a. the principal banker;

b. controller of credit — and don't worry about over-night depreciation of our Government Bonds;

c. owner of about 2,500 plants and factories, costing about 16 billion dollars; about one-quarter of all such property in America, all newly equipped, and acquired and constructed to speed up war production;

d. the purchaser of about three-quarters of the total national output;

e. controller of 92% of the magnesium capacity; more than 50% of the aluminum capacity; more than one-third of the peace-time rubber consumption;

f. the largest publishing house in the United States;

g. a controlling position in steel and oil;

h. owner of 90% of aviation capacity; and

i. more than 50% of the important machine tools;

j. and the employer, directly or indirectly, through its controls, of the overwhelming majority of workers;

k. the owner of surplus supplies of shoes, clothing, foods and many articles of merchandise usually handled by private enterprise, to the value of 60 million dollars; and, finally, the Government

l. will have the last word about outstanding war contracts totalling some 75 billion dollars.

I will not vouch for all these figures; I have heard public speakers use them or have seen them in print. They are so amazing that a million or a billion one way or the other will make little difference in the final outcome; all of which the mind of the ordinary man cannot comprehend.

How are we going to unscramble this state of affairs?

How can conditions be reversed by Government swapping places with industry?

How can private enterprise function?

How long will it take for Government to get out of business?

How long will it be before the ideal of free enterprise shall be attained, that industry shall be carried on by private enterprise and that Government's part shall be only that of referee, and not as competitor?

Other questions asked in an advertisement of one of the newest books, "Mobilizing for Abundance," by Robert R. Nathan, former Chairman of the Planning Committee of the War Production Board are:

a. How can we reconvert from a war-time to a peace-time economy without severe social and economic dislocation?

b. How can we guarantee full employment?

c. How can we achieve an export balance that will safeguard both our national interest and international good-will?

d. How can we eliminate cyclic depression?

e. How can we stimulate sound investment?

f. How shall we apportion the economic responsibility and power of the Federal Government?

g. IN BRIEF: How can we insure continued prosperity and the opportunity for every American to participate in the fruits of that prosperity?

Production provides jobs, whether it is war-time or peace-time production, but war-time production will be precipitately reduced with the Armistice, and there must be a rapid change from war-time production for destruction, to peace-time production for consumption, "jobs producing goods and services for all," in order to avoid mass unemployment. Government "manufactured" jobs, the boondoggling kind, are economically unsound, and are not even good temporary makeshifts.

The real key to jobs, therefore, is greatly expanded production for consumption.

There has been much said about the part taxes will play with jobs in the post-war period. The experts contend that if we are to provide jobs for everyone, there must be government liberality in taxes, especially toward small business.

Emil Schram, President of the New York Stock Exchange, stresses the need for a tax program that will encourage risk capital, without which we shall never have full-time peace employment. Mr Schram rightly contends that business, large and small, must know **now** what the tax formula is to be after the war, so that arrangements may **now** be made accordingly. It has been estimated that 20 billion dollars must be expended annually on new enterprise to provide employment for everyone.

Eric Johnston, President of the United States Chamber of Commerce, after citing that "the tax expert and the job-making expert agree that enough revenue must be raised to pay for government's necessary activities and to service its debts," contends that "the tax system is to blame that existing businesses are in danger of succumbing to the first spell of bad economic health," and that "our present tax policies are a nearly perfect birth control device in the business domain."

Obviously business, especially small business, must be subsidized by the Government, as some Government's subsidize their shipping and other interests, if business, especially small business, is to survive and thus provide employment.

George B. Roberts, Vice-President of The National City Bank of New York, said there can be no lasting, self-sustained recovery after the war without recognition in our tax system of the simple truth that it must be worthwhile striving to make money, to save it, and to invest it in hopes of a profit.

Assuredly taxes of one kind or other must produce enough revenue for government operation, yet the tax-expert and the job-making expert must evolve some plan whereby Government may operate within its income and at the same time not dry up the life-stream of business, big business, little business.

It will thus be seen that Mr. Schram, Mr. Johnston and Mr. Roberts speak with authority—and warning—on taxes.

America will be far better prepared at the end of World War II than at the end of World War I to cope with the economic demands.

Money rates will be low, and will remain low for some time; abundant credit will be available; millions of people will own War Bonds; and by the end of 1944 the American people's total three years' war savings may exceed 100 billion dollars; and the people will be just rarin' to spend their savings for deferred demands.

Furthermore, notwithstanding some criticisms of dire failure, and reduction of our standards of living, it would seem that the international stabilization fund of 8 billion dollars will become "a practical plan for meeting post-war monetary problems." I am not money expert enough to discuss intelligently this subject, but I do believe that some kind of stabilization of money must be internationally established after the war.

It is indeed gratifying to know that as uncertain as the economic horizon may appear as to full employment, industry and Government are tirelessly planning to take care of the jobs situation, and fully realize that jobs is the country's No. 1 post-war problem. The U. S. Employment Service offices will accomplish much for the war veterans. The Government may lend money to the veterans to buy homes, or farms or a business.

Close to 30,000 businessmen in 1,564 communities are now voluntarily working toward providing jobs for men and women who are now fighting or working to win the war. Great corporations are prepared to spend billions of dollars for plant reconstruction, reconversion and improvement, all of which will be translated into jobs. About two-thirds of all American cities of 10,000 or more population are planning projects and programs involving the expenditure of $4\frac{1}{2}$ billion dollars after the war, all of which will likewise be translated into jobs. Hundreds of thousands of soldiers and sailors will be retained for months in the service for police duty abroad. Thousands of ex-servicemen will go to school at the Government's expense. All of this will lessen the pressure for jobs. Deferred orders for nearly 18 million automobiles and appliances, for refrigerators, washing machines, and office equipment, for millions of new homes, for clothing and shoes, all kinds of goods and merchandise, will create the greatest economic vacuum the world has ever known; and, as it has been well said, "it is an immutable law of nature that a vacuum must be filled." Indeed, the only interference with full employment immediately after Armistice will be the time it actually takes to get the machines and factories reconverted to peace-time production, for we shall have the "greatest plant capacity in our history," the greatest "sources of raw materials and synthetic products," and "the greatest number of skilled mechanics and technicians ever available to any nation."

Ruthie, one of the Quiz Kids, said over the radio on Sunday evening, March 11, "I think that one way to help the employment condition after the war would be to send the soldiers home as gradually as the wartime machine is converted into the peace-time machine, so that as fast as there is employment, there will be someone to do it."

When machine and factory reconversion is accomplished, I believe we shall have the greatest period of prosperity this country has ever experienced. Then will be the time to make money as never before. During that period there will assuredly be a job of production for everyone willing and able to work.

How long will this prosperity period last? you ask. Ah, there's the rub! Mr. Nathan says in his book, "Mobilizing for Abundance," —"We must prove to ourselves and to the world that the democratic system we are fighting to defend is worth defending . . . that an economy based on free, competitive enterprise can make good on the claims we have made for it."

And we must assuredly prove to ourselves and to the world that having provided full employment by production for destruction, we can also provide full-time employment by production for consumption.

Can we solve our No. 1 Post-War Problem?

We shall get nowhere by saying **we have never done it before,** painfully true as it may be.

We can do it if we have the **will** to do it.

We **must** do it.

Is it the Government's responsibility?

Is it private industry's responsibility?

I think it is the responsibility of **both** the Government and private industry.

And I think our No. 1 Post-War Problem can be solved if there is "a concerted post-war effort to achieve full employment," if Government and private industry will co-operate to this end, will work harmoniously for the common good; and, if necessary, that all the nations of the world will unselfishly and mutually unite in this cause.

In War Fund's Banking And Investment Division

Elmer G. Tewes, Assistant Trust Officer of the Guaranty Trust Company of New York, has been appointed an assistant to the director of the Banking and Investment Division of the War Finance Committee for New York, William R. White, director of the division, announced on May 17. Mr. Tewes has been active on the Guaranty team of the Division in former War Bond drives. Mr. White also named Gardner Osborn, executive director of the Federal Hall Museum, as director of War Bond rallies at the Sub-Treasury Building, Wall and Nassau Streets.

Security Industry Survey

Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York City, members of the New York Stock Exchange and other leading Exchanges, have prepared their annual edition of "Security and Industry Survey," an analytical guide for investors. Copies of this attractive and informative brochure may be had upon request from Merrill Lynch, Pierce, Fenner & Beane.

Electric Power In Days To Come

(Continued from page 2026)

your depositors and for the public as a whole.

A glance at the past may offer some background in determining the outlook for the electric power industry in the postwar period. Ever since the outbreak of World War I in 1914 the electric utility companies have sensed the heavy responsibility resting on their shoulders to help win any war in which this country was a belligerent. Today they produce the great bulk of the power which turns the wheels of industry, welds the metal plates and parts, lights up the tasks of millions of war workers, dries the paints and lacquers, aids in the production and processing of food, and performs a thousand other jobs to give Uncle Sam the equivalent of hundreds of millions of obedient and faithful servants working twenty-four hours a day.

As far back as 1922 the utility companies, collaborating with the Army Engineers, instituted regular annual surveys of the important elements of their power supply facilities, capacity of generating stations, switching stations, transmission lines and interconnections, and through all that period they kept touch with the mobilization plans as worked out by the Joint Army and Navy Munitions Board. In the fall of 1938 when European developments became ominous, they started in earnest to prepare for the job that loomed up ahead of them. They began to add more generating capacity, and here and there to bolster up transmission facilities.

At the end of 1939 installed generating capacity in the industrial areas of the nation, where the munitions of war would be produced, exceeded the sum of the non-coincident peak demands on our power stations by 40%. Effectively this margin was even greater due to the network of interconnection between power plants and power systems, the diversity of whose requirements made the combined instantaneous peak demand substantially less than the sum of the non-coincident peak demands. The utility industry had trebled the amount of generating capacity since World War I. This margin of spare capacity with the subsequent addition of 15% more generating capacity and the longer hour use of facilities due to going to two or three shifts in war plants has enabled the utility companies to increase their output over 70% since the war began. Assuming no fuel shortage, they expect to be able to continue to supply all the power our country will need so long as the war lasts.

We are frequently asked how our power supply compares with that of the Axis controlled territories. This year the United States will produce about 285 billion kilowatt hours of electricity, which will not be far short of equaling the power production of all the rest of the world combined. And the private utility industry's portion of this job is being done with a quarter less employees than our companies were using three years ago. Out of some 250,000 employees in 1941, the electric utility companies have released 90,000 to the armed forces and to war plants. Only 30,000 of those lost have been replaced with persons unqualified for military service.

With due modesty, we in the electric utility industry are proud that we were able and ready to perform our functions in the supply of electric energy to increase rapidly the production of war materials when the "sneak punch" came on December 7, 1941. Over the years, thoroughly sound engineering, accurate statistics and good business judgment prepared our companies for just such contingencies. We are continuing this type of long-range planning as it is inherent in our business.

But you are primarily interested today in what will happen tomorrow—after V-Day. What does long range planning disclose for our electric utility companies? How soon will additional generating, transmission and distribution facilities be needed? What is the outlook for further capital expenditures?

These are not easy questions to answer. However, there are some rough yardsticks which we can use which will enable you to visualize what we in the industry must plan for.

At the present time about 40% of the kilowatthour output of the electric utility companies is going into war industries and establishments and 23% of the total revenue of these companies is coming from that source. Presumably the demand for power for war industry will largely disappear as soon as the fighting is over. Thus it would seem that the industry would some day find itself with a large amount of excess capacity on its hands. Contrary to what looks like a reasonable expectation, this is not probable.

In the three years before war broke out in Europe our power companies sold an average of 2,810 kilowatt-hours for every kilowatt of installed generating capacity. In 1943, 4,220 kilowatt-hours were sold per kilowatt of generating capacity, an improvement of 50%, which as you see, alone accounts for most of the increased output of electricity. When we return to peacetime conditions we may expect the one-shift operation to return in most of the manufacturing plants and a return to a sale of, say, 3,000 kilowatt-hours per kilowatt of generating capacity. If this takes place, there will be a reduction in kilowatt-hours of approximately 30% before there would be any excess of generating capacity, according to our peacetime standards of operation. Since practically this entire decrease will come in industrial use, a reduction of approximately 50% will take place in this classification, to an amount approximately equal to the industrial energy sold in 1939. The revenues of the power companies would be affected to a much less degree due to the low incremental prices of industrial energy earned through present long-hour use. From this, it is apparent that these companies as a whole do not have reason to expect a large amount of excess capacity after the war. There undoubtedly will be some locations where such is the situation but not so generally.

To give another indication supporting this view, the industry in the decade ending 1947 will have increased its generaitng capacity about 25%. Such an increase spread over this period is less than what we in the industry have considered to be our normal rate of expansion. In fact, it now appears that by 1947 installed capacity of the utility companies will be about 3,000,000 kilowatts below the normal long-term growth curve as of that year. Our residential sales of electricity have been continuing to make a healthy growth up to this moment, showing a 7½% increase above residential sales last year. Retail commercial sale of electricity in spite of the closing of stores, the shutting down of signs and other conservation measures, stand at the present time 6% above what they were a year ago. In a recent article appearing in the Edison Electric Institute Bulletin, entitled "The Other Side of the Mountain," Mr. William M. Carpenter, economist of that organization, predicted that following the war industrial power would drop back in a year or so to its prewar level, but that the retail use of electricity would continue its long-time upward trend, and he anticipated that within three or four years after the war was over, industrial power would start on another period of real expansion.

It should also be kept in mind that during this war period little replacement has been made of obsolete and inefficient generating equipment. It is to be assumed that under healthy conditions much of this equipment will be replaced for base load operation, leaving the older and less efficient units for peak load and emergency purposes.

Outlook for Postwar Expansion

Before the war the business of electric utility companies was expanding at a comparatively rapid pace; residential and commercial uses of electricity especially so. The war instead of darkening the outlook has brightened it considerably. Many new discoveries in materials and manufacturing methods have cropped up as a result of war research. It will take years for the manufacturing industry to digest and utilize the more important of such discoveries and translate them into new products for sale at lower prices. These new developments make use of electricity to a greater and greater extent.

Home Electrification

Estimates based on surveys and other indications point to a substantial amount of home building after the war. Several large concerns are planning prefabricated houses on a broad scale. This is stimulating the usual builders to develop plans to meet the threatened competition. All building plans contemplate a high level of electrification to make the new homes attractive to the American family.

Companies long engaged in the business of manufacturing electrical appliances and those engaged in other lines of manufacture, seeking to utilize their new or enlarged factories after the war and to find employment for their war-swollen number of employees, are planning to manufacture and sell electrical appliances on a scale never before witnessed in this country. In addition to the well known appliances already in use to a considerable extent in American households, there are plans to produce at prices within reach of a large market, television sets, devices to clean, dry and cool air, and to assure better circulation and recirculation of air in the interest of heat economy, to produce deep-freeze units for food storage, and still further improvements in house lighting. A survey of large power companies shows that their promotion plans contemplate an increase in the residential use of electricity of more than 50% in the next five years. Some companies are laying plans for and hope to double the residential use in the first five years after the war.

Commercial Establishments

The utilities' expectations for increasing the use of electricity in stores, restaurants, hotels and other commercial enterprises are even greater than their expectations for increase in the residential field, and their selling efforts will be aimed in this direction. Improved lighting and air conditioning will continue to play an increasingly important part in rebuilding sales for our merchants and business men.

Farm Electrification

At the present time 2,600,000 of the 6,000,000 farms in America are served with electricity. It is expected that in the first three years after the war another million and a half farms will be reached with electric service. In this same period about a million rural nonfarm homes will be reached.

But the biggest development in farm electrification ahead is expected to be a very large increase in the use of electricity on the farm, which at present averages 1,500 kilowatt-hours per annum. More pumping systems to provide running water and to add irrigation for vegetables, pasture areas and for some important crops; feed grinders for the animals, and grain grinders for the family, deep-freeze units, and the application of electricity to many more jobs on the farm will result in marked increases in farm usage of electricity.

Large farms, such as dairy and poultry farms, have already gone far in electrifying their farm operations. Many use 6,000 to 12,000 kilowatt-hours per year. Efforts are now being directed toward making electricity more useful to the operations of the smaller farm so that the farmer can make better use of his time during the whole year and process or partially process much of his produce for the markets to sell it at much better prices. In these programs the utilities are combining their efforts with electrical equipment manufacturers, with farm equipment manufacturers, with agricultural colleges and government agencies interested in farm electrification, in order to give the farmer tools which take full advantage of electricity as a source of power. This is a long development process which has been going on for twenty-five years, but which appears now to be accelerating.

Industry Electrification

The modern war factories have applied standards of illumination far above the general level of factory lighting before the war. Undoubtedly these new standards will become common practice after the war. The war has greatly increased the demand for electric steel and for numerous alloys, chemicals and a great variety of synthetic products, all of which are large users of electricity. The electronic tube has opened the door wide for increased uses of electricity and the end of these developments is not yet in sight. Within a few years after the war we expect to see the beginning of another big expansion in American industry and with it of course will go corresponding growth in the uses for electric power, and a need for funds for expansion of power system facilities.

Of course, all this picture of what can be done in the way of further expansion and development of American business and industry is predicated on our governing political philosophy — that it will be favorable to business initiative and incentive.

Future Construction

At this point I want to enter a word of caution against accepting extravagant predictions of electric power consumption in the early postwar period. For several years before the war, serious power shortages were regularly predicted, none of which has developed. Now come these postwar predictions, with all the earmarks of being designed to promote appropriations for additional Federal power projects. An objective for five years after the end of the war recently stated by the Chairman of the Federal Power Commission was approximately 70% higher than the conservative estimate of Mr. Carpenter for the same period, to which I have previously referred, and that is a very large disparity.

Nevertheless even this conservative estimate of future business anticipates a wide expansion of the facilities of the electric utility companies which will require heavy construction expenditures. When will these funds be needed?

The length of the war will have an important influence on the date when utility construction will reach the proportions experienced in the period from 1938 to 1941. It always must be remembered that the utilities serve other businesses and industries and hence their expansion is predicated on an expansion of industry and business in general. The speed with which restrictions on critical materials are removed will have some effect on the time when America will resume its usual march toward broader and better horizons, but also the time required to digest and assimilate the new discoveries, methods and processes into industry and into the operations of the business field will require perhaps three to four years after restrictions on materials have been removed, and this is the time when we expect to see American industry and business expand again.

As mentioned before, of great importance will be the attitude of the Federal Government toward private industry and the free enterprise system, whether the government uses its wartime plants as a springboard to enter into more unequal competition with American industry or whether the government will proceed to dispose of its war plant facilities and foster the free enterprise system. If the present government policy is continued of expanding government power projects and encouraging state and municipal ownership of utilities through inequitable taxation and appropriation of Federal funds, the effect on the initiative and capabilities of the private companies is obvious. No business faced with increasing governmental competition can remain healthy under the weight of the present tax handicap.

The electric utility companies at the present time are paying 25 cents out of every dollar for taxes, 17 cents of which go to the Federal Government. Our competitors, the Federal power authorities, municipal plants and cooperatives escape all Federal taxes and their contributions in lieu of local taxes are not on a parity with the local taxes imposed upon the utility companies. Their tax advantage is twofold. They not only escape direct taxes, but because interest on their bonds is exempt from Federal income taxes refinancing of municipal power bonds, for instance, has been accomplished in the past year at 1 to 1½%. A bill is now before Congress, and has passed the House and is expected to pass the Senate, reducing interest charges on money borrowed by electric cooperatives from the Rural Electrification Administration to 1¾%. They have been able to obtain from several state legislatures a property tax rate that is only 10% of the tax rate on similar power lines of the electric utility companies.

The Tennessee Valley Authority has often been proclaimed by its proponents as a self-supporting, self-liquidating project that according to its first Chairman, Dr. Arthur Morgan, would amortize its total investment in 30 years including interest at 3%. According to the present estimate of its Chairman David Lilienthal the Tennessee Valley Authority will return the entire investment, now approaching $700,000,000 in 60 years **without interest.** You gentlemen can judge what it has cost the taxpayer to furnish money to the Tennessee Valley Authority interest-free for 60 years.

Can Chairman Lilienthal predict that political pressure will not force further rate reductions to lengthen out this amortization period still more? In 10 years the estimate has already been lengthened from 30 to 60 years and the item of interest has been dropped out. Furthermore, the statement of $700,000,000 as the cost is far short of measuring what the undertaking has really cost the taxpayer, nor is it a statement of what the cost will be before many more years have gone by. Interest on the public debt is now one of the big items in the annual Federal budget. After the war its proportions will be much greater and every bit of interest on Tennessee Valley Authority money and all of the increase in the general overhead of the Federal Government attributable to this undertaking has found and will con-

tinue to find its way into the public debt.

There are now before Congress, and in process of getting there, many proposals for building more multiple purpose, so-called self-liquidating dams, including power generation. Whatever economic benefits can be obtained from such dams, that is dams for navigation, flood control, irrigation and power development can be reflected in the price of power sold by these projects to existing power systems and by them reflected in the rates to their consumers. In the nature of things the power available at multiple purpose dams cannot be fully utilized as a continuous source of reliable power. It is most economically absorbed in a large system with diversity of power loads and interconnected steam stations, or other diversified sources of power. It is clearly uneconomic to build duplicating transmission systems and steam reserves when these already exist.

There is no need for the Federal Government to engage in either the retail or the small wholesale electric business under present-day controls exercised by both Federal and State regulatory commissions. The private utility systems are regulated to operate at cost, including a fair cost of money invested in the business. The passing on of any savings from the government dam to the ultimate consumer could easily be assured by a clause in the contract for the sale of power to the effect that all savings to be effected by the use of energy received from such Federal development should be passed on to the ultimate consumer in such manner and amounts as would be determined by the regulatory authority having jurisdiction.

Under the American system the private electric utility industry has given our country the largest, finest and most effecient power system in the world. It has furnished the stimulus for the electrification of industry, a process which has contributed immeasurably to the high productivity and the accompanying high standard of living of the American workman. It has played no small part in the successful promotion of our war effort. It has been built and financed in considerable part by the savings of your depositors who in turn have been paid fair wages for the use of their money.

If private enterprise is encouraged in the post-war period, and the threat of government competition tempered, and we believe this to be the sentiment of the majority of the American people, the private electric utility business will continue to play its important part in the economic development of this country. Broadened horizons lay ahead for electric power and with them broadened opportunities for private investment in the utility business.

A Return To Reason

Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange, have reprinted in attractive booklet form "A Return to Reason," the address given on April 25 by Arthur C. Knies, partner in the firm, before members and guests of the Boston Stock Exchange. Copies may be had from Vilas & Hickey on request.

Also available on request is an interesting memorandum on rails, the gross of which reached a still higher level in March, according to the report.

"A Well-Deflated Stock"

Warner & Swasey Company is a well-deflated stock which appears interesting currently, according to a detailed memorandum on the situation prepared by Arnhold and S. Bleichroeder, Inc., 30 Broad Street, New York City. Copies of the memorandum may be obtained upon request from Arnhold and S. Bleichroeder, Inc.

NASD "5%" Rule Shatters Post-War Outlook For Small Business

(Continued from page 2027)

of members of the NASD regarding the effect of the rule on the capital markets for the securities of the country's smaller corporate units. Incidentally, it is pertinent to note that, on the basis of a complete poll recently undertaken by the "Chronicle," approximately 85% of the NASD membership is opposed to the 5% mark-up policy.

We give herewith another group of the comments made by NASD members regarding the effect of the rule insofar as the markets for securities of smaller enterprises is concerned. As in the case of those given in preceding issues (starting with April 13), the majority of these expressions contend that the rule will seriously damage such markets. It should be noted that the name of the city or town preceding the dealer's comments was obtained from the postmark appearing on the envelope in which the questionnaire was returned. In cases where publication of the name of the community would tend to identify the firm (as in places where only one firm exists), the point of origin is indicated by using the phrase, "A Small Maine Town," as an example, or its equivalent.

SAN ANTONIO, TEXAS

It is my opinion it will put all of the small dealers out of business. It is just another form of regimentation. It will provide the means of dealers using subterfuges to cover up. Has all free America gone to the bow wows?

PHILADELPHIA, PA.

In our opinion, the "5% mark-up" rule would definitely create a hardship for the smaller corporations desiring financing. Even the SEC recognizes the necessity of permitting a profit in excess of 5% in the case of original securities issued by the smaller corporations. If this is necessary in order to obtain original distribution, it is just as imperative that a comparative mark-up, even though over 5%, be allowed in order to maintain a satisfactory secondary market commensurate with the corporation's financial credit and standing. Serious harm to a corporation's credit could result from the lack of interest and sponsorship of its securities in the event that sufficient profit incentive for dealers were lacking. Under these circumstances, if a smaller corporation came into the market for additional financing, it would have to pay a higher rate for its funds than if a satisfactory and proper secondary market had been maintained for its outstanding securities.

SPOKANE, WASH.

Will not be a market; and darn few local small dealers who maintain those markets.

CLEVELAND, OHIO

It will be harmful to the market for securities of not only smaller corporations but many large companies. It is difficult to see how small corporate enterprises can interest investment dealers in handling their securities if the "5% mark-up rule" stays in effect.

OAKLAND, CALIF.

We believe it will eventually eliminate public participation in the ownership of small corporations of the country.

ST. LOUIS, MO.
(From firm favoring rule)

Expenses incident to SEC registration much more serious in our opinion. Seems to us the "Chronicle" has done a decided disservice to the industry in leading the fight on the 5% rule in an atmosphere of prejudice and emotion. Did it ever occur to you that may be the only alternative to an SEC rule requiring disclosure of profit on principal transactions. The one is reasonably innocuous; the other would be disastrous to the over-the-counter business.

A SMALL UPSTATE NEW YORK TOWN

In our opinion, the limitation to the 5% mark-up will seriously restrict the market for the securities of the country's smaller corporations. A considerable portion of the funds for the development of many such industries comes from investors whose location involves a great deal of traveling and whose method of buying frequently requires much more of the dealer's time than would an "office" client who is more likely to know just what he wants to do.

The servicing of these accounts in many cases also includes special services which are either rendered as a courtesy or charged for on a nominal basis. An example is that of a client who, because of an injury, is unable to go to the bank to take inventory of his holdings for State tax purposes. He asked me to do this for him. I had to write a letter, which he signed, authorizing the bank to give me access to his safety box, traveled 18 miles each way to the bank, took inventory of 49 different issues, typed duplicate lists of the holdings which I mailed to him from his office, along with a letter I had to write regarding the matter. I could not charge him a fee that would properly compensate for the time, mileage, etc., involved, but on about an 8% mark-up I could provide this type of service.

Competent, conscientious dealers cannot be available to secure funds for industry from such sources unless they are more adequately compensated than the 5% rule permits. Nor would it surprise me, if the rule is allowed to stand, as ethical dealers are forced out of business—as we shall be—an increasing number of outlaw operators crops up and worthless or fictitious issues are given for the investor's good cash.

The slick methods adopted by the gang who call themselves the NASD and run things on the money of the helpless members like myself should be heartily condemned. Anyone with an elementary knowledge of fairness and justice considers this sort of thing in direct violation of accepted American principles. I only wish my domestic responsibilities did not require me to hold myself in restraint from expressing through some public medium the indignation and disgust I feel. I would not put it beyond the crowd now in control to hound a man out of business if he stood up for his rights as an individual.

CHICAGO, ILL.
(From firm favoring rule)

As we understand the rule, we consider it a healthier thing for our business and we don't think it should hinder honest operations in the securities of the smaller corporations. Although we have very few transactions in such securities, we are a so-called small house and want to see the small dealer get fair treatment from the industry. We see nothing unfair about the 5% rule as we understand it.

FORT WORTH, TEXAS

Likely to retard trading activity. Consider the "rule" works a hardship on the smaller retail dealer firms.

TACOMA, WASH.

They will have a much poorer market than they have now.

PORTLAND, ORE.

Harmful.

PORTLAND, ORE.

We believe that the very nature of the rule is a slam at the over-the-counter dealer. There are very few cases where we can come anywhere near legitimately earning a 5% profit. Anyone who attempted to do so could not possibly compete and would soon find himself out of business. It is only through accumulating inventory at times which seems favorable that more than brokerage profit can be obtained. This, of course, involves a dealer's risk.

We intend to conduct our business as we always have—in what appears to us to be a fair and equitable manner, extending unusual service at times. We do not like the idea of someone else telling us when we are or are not entitled to a larger profit.

CHICAGO, ILL.
(From firm favoring rule)

Find it would have an adverse effect on securities of small corporations.

SPOKANE, WASH.

It will gradually eliminate the market.

DETROIT, MICH.

I believe it will have a very adverse effect on securities of this class.

NEW YORK CITY

Seriously restrict the market for such securities, possibly destroy it. Just as other foolish and badly conceived laws and regulations, have always resulted in more harm than good to the nation, this 5% rule will have a tendency to encourage "black markets" in unlisted securities.

Congratulations on the courageous and intelligent stand you are making for the "free enterprise system."

MEMPHIS, TENN.

Bad.

MINNEAPOLIS, MINN.

Will have to quit trading in small issues—salesman will quit—we will have to concentrate on trust shares by mail.

BOSTON, MASS.
(From firm favoring rule)

No effect. If the small dealer can't survive with the "5% mark-up rule," he shouldn't continue in business—particularly with a war on.

NEW YORK CITY

To compel small corporations to go to a governmental agency for its financing. Result—departmental supervision becomes government operation.

"Oh, NASD, we who are about to die salute you"—with apologies to Julius Caesar who was also ambitious.

CINCINNATI, OHIO

As we understand it, there is no 5% "rule" and we do not limit ourselves even to the so-called "philosophy" of a 5% limitation. On low-priced securities usually a considerably higher percentage is charged and we've never been criticized for it.

The type of service required largely determines what mark-up we apply. With a trading account we can handle orders for a smaller percentage but with no investment account we must charge more. This fundamental difference must be considered—hence any fixed-fee basis proposal by SEC or any other regulatory body is basically wrong. Type of service and degree of supervision differ widely between customers, so naturally charges must differ also.

If it becomes a rule to charge the same fee for all securities the smaller corporation's issues will be neglected or even excluded from the markets. . . . Any intelligent appraisel of this proposition must recognize the sound reasons for varying charges.

BUFFALO, N. Y.

A very detrimental effect.

SEATTLE, WASH.

There are times when the 5% mark-up is not ample compensation for research and professional services rendered. In general, it does not handicap us but makes certain business unattractive. Think the market for new smaller corporation securities will be restricted by the 5% rule.

I am not in favor of the 5% rule by the NASD as I don't believe that its function is to make such a rule. It seems to me it is up to the dealer to decide what is fair compensation and if he is offside, the NASD periodical check-up should reveal the fact and he should be permitted a hearing and then follow whatever ruling is made.

NEW ORLEANS, LA.

It will kill the investment business for the small dealer and help the listed houses. I think the listed houses are behind this movement. Thanks a million for the part you are taking in the matter. . . . Why is it the Federal administration is doing their darndest to put little business out of business? Roosevelt, as well as Congress, do not seem to realize that business, especially little business, is paying their salaries and expenses, yet they are biting the hand that feeds them. . . .

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NASD "5%" Rule Shatters Post-War Outlook For Small Business

(Continued from page 2047)

A SMALL UPSTATE NEW YORK TOWN
(From firm favoring rule)

In answer to the above question, hardly know just what to say, but do feel that the 5% mark-up is or should be satisfactory for the average honest dealer. As for a small dealer whose overhead is not too heavy, it should also work out in the long run to his interests.

In giving thought to the dealers who fleece the unsuspecting investor, think that some curb such as a 5% mark-up is to be commended. I do feel that the effect on the securities of small corporations will of necessity suffer in the distribution of their stocks and thus work out to their disadvantage.

I am concerned in connection with my membership in this NASD in that the dues are bound to keep on increasing with the constant shrinking of the number remaining and have a feeling that the "big fellows" in the association seem to have an ulterior motive in the pressing for the 5% idea. I want to compliment the "Chronicle" for its continued interest in this matter and will continue to have an interest in the future of this matter.

SAN FRANCISCO, CALIF.

We feel that the limitation of profits will definitely shrink up the capital market for small corporations as small investment banking firms will be forced to discontinue business if they cannot charge a fair profit and operate their retail departments on a profitable basis. The large firms use a retail department to distribute their inventory and to minimize risk and care nothing for the normal factor as their profits emanate from underwriting and wholesaling activities. Naturally, they are decidedly interested in eliminating competition, which they are unfortunately succeeding in doing.

A SMALL UPSTATE NEW YORK TOWN

Although you may feel we are not giving you a direct answer, still we cannot help but comment by saying that it seems inconceivable to us that the 5% rule can, will or should be interpreted arbitrarily. Even to the SEC and/or the NASD, there must be times when a dealer is justified in making a gross profit of more than 5%. If, however, the SEC and the NASD persist in limiting the gross profit on any transaction to 5%, irrespective of the circumstances involved, then we feel that certain practices will result which will have much worse consequences to the investing public than the consequence of allowing more leeway to dealers in determining a fair gross profit margin.

We would like to add a few words to all the talk coming from the SEC and the NASD about "riskless" transactions. Is it not true that every time a dealer trades with a client, his whole reputation and livelihood is at stake, irrespective of whether he happened to buy the particular security on the same day as he sold it to a client, or whether he happened to get his order from his client before he actually purchased the security in the market?

We are suprised that the SEC and the NASD should spend so much time and money (while a world-wide conflagration is going on) to find ways and means of punishing security dealers when they may be making more than 5% gross profit on certain isolated transactions. Are we wrong in feeling that the margin of profit accruing to a security dealer is only one of the elements involved when considering whether or not such dealer is trading fairly with his clients? We have in mind that the ability to purchase sound securities (and at the right time) should bear considerable weight in determining whether a particular dealer is worthy of serving the investing public. We also have in mind the fact that some dealers want their clients to hold specific issues for the long pull (several years in many instances) and are not interested in having their clients buy and sell actively, based on short-term swings in the market. Such a long-term dealer must, in our estimation, in all fairness, be allowed a wider profit margin than the dealer who is constantly trading his clients.

But, anyway, to get to your question. Yes, you are right, it is important to do something to help maintain satisfactory markets in the issues of small companies. And, incidentally, there are many "buys" in this field, but they are not going to be brought to the attention of investors unless it is profitable for the small dealer to handle them. It is economically more costly for dealers to handle the issues of small companies, because of the infrequency of trades, the smallness of trades when they do come along, and because of the scarcity of investors who are in a proper position to buy and hold such issues. Lastly, in all fairness to the SEC and the NASD, we must say that the cases of prosecution that have come to our attention in the last few years have been such flagrant abuses of honest trading that to date we have been in general sympathy with the Commission and the Association. However, we hope and pray that both bodies will limit their prosecution to those cases that are actually flagrant abuses of honesty and that they will not start to punish a dealer for the sole reason that such dealer is making something more than 5% gross on certain isolated transactions.

SAN FRANCISCO, CALIF.
(From firm favoring rule)

None whatsoever. The letter of Oct. 25 to dealers was aimed at the "riskless" transactions primarily. If any small corporation needs new financing plenty of profit can be taken without any concern. If it be a matter of providing a market for shares of a small company no dealer is precluded by the rule from taking any profit he can justify—and small deals may well call for 7½ or even 10% with full approval of any business committee.

You and your staff are on the wrong slant this time. You are doing everything you can to bring forth a full disclosure rule from the SEC which we do not want—nor does any one else. This effort of the NASD is to obviate the disclosure rule and if we get it, we can thank the "Financial Chronicle."

JACKSONVILLE, FLA.

I do not feel that the 5% rule will do as much damage to the business as will the threat of being put out of business by an NASD court. If we all could average 5% it would be wonderful.

Financing of small companies cannot be handled on 5%. However, most States allow ample provision for new financing. We are working on one now on 15%. A restriction of this type is not the American way of doing business.

NEW YORK CITY

An adverse effect. It will not be worth-while selling them.

PITTSBURGH, PA.

We have no objection to the establishment of a standard basis of profits. Our objection to the 5% rule is to the incomplete analysis and consideration of the data used as a basis for this rule. We also object to the high-handed manner in which the rule was foisted upon members. And believe any rule should be made by vote of the members concerned and not rushed through by a few executives.

This rule very effectively puts the medium sized and small dealer out of the high-grade and medium-grade securities field and encourages the black market operations of the unscrupulous dealer.

TOLEDO, OHIO
(From firm favoring rule)

Very little, except possibly for lower-priced stocks, in which additional latitude is permitted under the policy if priced under 10.

I am a member of the District No. 10 Committee of the NASD. We are definitely a small firm. I have followed with much interest your articles in respect to this "mark up" matter, and not without some approval. It is perfectly proper, in my judgment to "air" controversial or misunderstood subjects. I believe that you are a little unfair in your insistence in using the term "rule" in respect to the policy which has been pronounced for the guidance of Complaint Committees. I would definitely oppose a **rule** at **any** percent, as being undemocratic and un-American. Just where the profits become excessive is a matter of circumstances, and it is my judgment that Complaint Committees will be fair in reviewing any question of excessive profits. Certainly excessive profits can hurt the securities business in general, and in the long run the individual dealer. In most cases I feel that 5% is not too small a profit on so-called riskless or simultaneous transactions, and it may be even too high in higher-priced securities. Much depends upon the interpretation of Complaint Committees, which I believe will be fair, and their hearings are conducted by men experienced in the business, with a sympathetic approach to the dealer's problems. Certainly I would prefer such a "jury" in preference to one composed of men outside the securities field.

The Securities Salesman's Corner

Some Observations Regarding The Outlook For Retail Securities Dealers In The Next Two Years

Planning ahead under today's unsettled conditions is a difficult task—but it must be done if a business is to meet with success in the years which lie ahead. Although two very important factors which will largely determine the extent of investor activity during the next few years are the duration of the war and the outcome of the election this fall, certain other economic and psychological realities exist today that can be appraised with considerable accuracy.

In the opinion of practically every dealer with whom we have discussed the outlook for the security business during the next few years—we are headed for increased investment activity on the part of the general public. With this viewpoint we are in complete agreement. In fact, if the results of the election this fall should mark the end of the Roosevelt reign, or even his reelection along with a conservative Congress, and in addition the possibility that the end of the war will be indicated within another year, it is our opinion that investor interest in securities will exceed anything we have known since the twenties.

The supply of idle cash is tremendous. Somewhere in the neighborhood of $84,000,000,000 has been saved by the American people during the past three years. Some of this money is in war bonds, the rest in bank accounts. This is just about double the value of all listed stocks on the New York Stock Exchange at the present time. Some of this money will go into securities AS SOON AS INVESTOR CONFIDENCE IS REESTABLISHED.

Whether or not we realize that "time has been fleeting" it is now almost fifteen years since that day in October when the so-called "new era" came to an end. A new generation has grown up. These potential investors only remember the past from their history books —millions of other security buyers have gradually rehabilitated their portfolios and are better investors today for having learned the lessons of 1929. Memory is short—it is now about time for another cycle of confidence in business and investment to begin again. So once more we can say that A REVIVAL OF CONFIDENCE IN THE FUTURE will also touch off a set of psychological circumstances that appear to be ready to react upon the public in a manner very favorable to investment.

For those who are now in the security business and who have been plugging away during all the hard and trying years of the past, it also seems that the time for reaping their reward is not too far in the distant future. There is less competition today than there was during the last period when investor confidence was high. Those firms which have been building up their clientele, adding capable sales representatives, merchandising in a progressive manner, advertising and making their name known in their community, will be ready to go as soon as the "bell is rung." Other firms that have been sitting tight, in our opinion, might find it very advantageous to get busy now and start to prepare their organization for better times ahead.

Several things must be accomplished within the securities business itself however, before this business can properly serve the public and the national interest of this country. The retail security dealers who make up the bulk of the actual "new capital distributive machinery" of this country, should have an opportunity to make a fair profit without harassment from bureaucratic governmental agencies. There should be a CLARIFICATION OF THE POWERS OF THE S.E.C. BY CONGRESS. Incidentally, a conservative administration will recognize the importance of such a step TO THE NATIONAL WELFARE BECAUSE THE FINANCING OF NEW INDUSTRY CAN ONLY BE ACCOMPLISHED WHEN THIS IS ACCOMPLISHED.

Post-War Inflation Not Likely: Nadler

(Continued from first page)

United States have, on the whole, preferred to save their excess purchasing power. In 1943, savings were estimated at nearly 34 billion dollars or almost 24% of the total national income.

"During the war, commodity prices will continue to inch upward. However, should the invasion go well there is reason to believe that the demand for war materials will tend to cease, followed by a gradual increase in the supply of consumers' goods.

"The opinion has often been expressed that the real inflation will set in at the end of hostilities, based on the following considerations: First, inflation has followed every major war. Second, the moment hostilities are over the people will spend freely and hastily their accumulated savings. Third, since the supply of consumers' goods can increase only slowly the last two mentioned factors combined will bring about a sharp increase in commodity prices.

"This situation is not likely to occur since, in the first place, the end of the war will witness a material reduction in the output of war materials, accompanied by a material increase in the number of unemployed. People out of work and those whose job security is threatened do not, as a rule, indulge in spending sprees. Furthermore, it is quite certain that the controls over prices and consumption will be maintained for quite some time after the war.

"In considering the post-conversion period, the movement of prices will be dominated by the fact that the productive capacity of the country will be greater than ever before and efforts will be made by industrialists as well as distributors to reduce as far as possible the cost of distribution and to keep prices down. As against this, however, the fact should not be overlooked that the cost of production in the post-war period will be higher than prevailed in the 'thirties and that it will be impossible to reduce the hourly wage rate of labor. Commodity prices in the post-war period are thus bound to be higher than those of the 'thirties and may be somewhat higher than those which prevailed in the 'twenties.

"Inflation in the United States can be avoided if the necessary measures can be taken in spite of pressure groups. It should be borne in mind that inflation brings about a great change in the debtor and creditor relation and has an adverse effect on the creditor class. All people owning savings deposits, beneficiaries of insurance policies, holders of fixed-income-bearing securities and others are adversely affected by inflation while the debtor class benefits. Inflation is the most unscientific form of tax because it is inequitable and unjust. Where inflation is drastic it pauperizes the middle class and undermines the confidence of the people in the institutions of government as well as in the government itself and ultimately leads to economic and political chaos. Hence, efforts on the part of individual pressure groups to bring about an increase in wages as well as in prices must be fought, because in the long run they will be detrimental to the entire economy of the country."

Bond Club Of New Jersey To Hear Schram of NYSE

Emil Schram, President of the New York Stock Exchange, will address members of the Bond Club of New Jersey at a luncheon meeting at the Robert Treat Hotel in Newark on May 19. Mr. Schram's topic will be "Problems of Transition from War to Peace."

A Post-War Tax Program

Speaking before the Seventh Midwestern Conference of Controllers Institute of America at St. Louis, Mo., on May 2, James L. Wick, Economic Analyst and Editor of Prentice-Hall's Washington News Letter "What's Happening in Taxation and Government Regulations" outlined proposed Federal tax changes for the immediate post-war period. His remarks relating to these proposals and their effects follow:

James L. Wick

"The post-war world will be built within the four walls of the tax structure," says Chairman Walter F. George, Chairman of the Senate Finance Committee. The part played by punitive taxes in discouraging business progress is recognized, even in Administration circles. As a result, changes in the tax structure, which ordinarily interest academicians only, have now become the concern of everybody.

Corporation Taxes: All agree that risk-taking—the road to progress—must be encouraged. Current double system of taxation, taxing profits to the corporation and also dividends paid for those profits to the stockholders should be abandoned. The income from risk-taking capital is the only form of income which is consistently subjected to double taxation—yet it is the most important form of business income to encourage if we wish to keep our economy up to date. Alternative proposals:

(a) exempt dividends from corporation tax, or, (b) adopt English system which credits stockholder with tax paid in his behalf by the corporation and charges him with income represented by dividend.

Under either method, the corporation levy virtually becomes a tax only on undistributed profits. Second method withholds at source and allows refund if tax is higher than that warranted by recipient's income; assesses additional tax if recipient's personal income requires a higher rate.

If our system of double taxation is retained, current 40% normal and surtax rate of corporations probably will be lowered to about 24% in the first post-war years for large and medium-sized corporations and about 12% for corporations making under $25,000 in profits. After three or four years, those rates probably would be cut in half.

Excess Profits Tax "takes the profits out of war," but cannot be justified as a permanent peacetime levy. Long continued, it would promote monopoly by giving old concerns with large invested capital an enormous advantage over younger rivals.

Repeal of excess profits tax is likely to be passed on or before arrival of peace, but effective date may be postponed until 12 to 24 months after cease-firing date. Continuation for a limited time is being proposed to capture lush artificial profits of post-war replenishment boom. Pledge of repeal at a specified date would provide incentive for expansion, argue advocates of limited-period tax.

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A. F. L. Committed To System Of Free Enterprise, Says Green

(Continued from page 2029)

employment tomorrow for those who were forced into idleness yesterday because of the closing down of purely and wholly war material production plants. But we should, and I feel must, find a way through which we can cushion the shock, minimize unemployment, reconvert industries to civilian production plants as speedily and promptly as possible.

"It must be obvious to all thinking people that the primary objective of the nation should be to provide full employment both for those who have served as soldiers of production at home and the service men who were enlisted in the armed forces, when they return.

"Full employment means high production and high production means an economy of abundance. Through the establishment of full employment and a maximum production of goods for sale in a market where the buying power corresponds with our ability to produce we can establish a standard of prosperity commensurate with the needs of our national and civic life.

"The economic changes which have been brought about as a result of the war will not terminate when the fighting ceases and the war ends. The indebtedness incurred, the obligations assumed, the interest charges which the nation must meet will call for the maintenance of a steady national income as great or greater than the maximum amount of national income reached during the war period. The gross national income in 1943 was $186,500,000,000. That was created and produced as a result of full employment and maximum production. This is the source of wealth and taxes, and out of it must come the money necessary to pay the national debt. Having accumulated a national obligation as a result of the war we must establish and maintain an economy of plenty so that these obligations can be adequately met and the nation's responsibilities fully discharged. Unemployment, and particularly widespread unemployment, will mean lowered production and reduced income.

"How can we feed and care for the unemployed and their dependents? Where will the revenue come from that the nation needs in order to meet its interest charges and pay the national debt? From what source can taxes be collected if unemployment prevails, production is curtailed, industries are closed down and the national income falls below minimum requirements?

"Surely it is clear that full employment must prevail during the post-war period and that maximum production must be maintained and that the national income must be sufficiently high so that adequate funds may be available in order to pay the amount of taxes the nation requires in order to prevent debt repudiation.

"The simple and inescapable truth which America has learned through years of suffering during the depression and years of plenty during the war production drive must not be forgotten. It is this—that full production and full employment at decent wages go hand in hand and that one cannot be maintained without the other. Mass unemployment is not only the result of business depression—it is the cause of it. Full employment is not only the result of business prosperity—it is the indispensable element in the attainment of prosperity. Prosperity cannot be achieved where poverty prevails.

"Labor has often been told in the past that only when conditions are good for business can the workers benefit Now labor tells industry that only when conditions are good for workers can business benefit. Both statements are true. In fact, they contain the same truth—a truth which we must recognize, acknowledge and guide ourselves by if we hope to establish a sound and enduring post-war economy under the free enterprise system.

"At this moment, American industry and American labor have reached heights of production never before thought possible. We are producing for war, for the purpose of destruction. Private industry has one big customer, the Government, a customer with practically unlimited pursestrings, a customer who offers to purchase all that can be produced, a customer who guarantees a sure profit to the producer.

"When the war ends, however, this customer will be forced to cancel all his orders. American industry will no longer enjoy a sure thing. It will have to go back to its old customers—the American people. It will have to produce for the peace-time needs of these people. It will have to spend and risk great amounts to reconvert to peace-time production. It will have to face stern competition once again to gain the favor of its customers. There will no longer be any guarantee of sure profits.

"These are the realities American industry must face. At first glance, they may appear to be discouraging. But American businessmen, I am glad to say, do not view their future prospects in that spirit. On the contrary, they welcome the opportunity to return to healthy competition, to risk their capital in new ventures and to earn deserved profits for service to the American people.

"Why is American industry eager to give up a sure thing for a gamble? The answer is deeply rooted in the spirit of Americanism and, in fact, is one of the reasons we are fighting this war. Business knows and labor knows that war prosperity is a false prosperity. We realize we are paying a heavy price in human life, in human liberty and in cash money for our present industrial revival.

"When the war is over industry will lose its chief steady customer. The Government has bought and used a very large percentage of industrial production. The production of civilian goods has been rationed, restrained and limited because the war needs of the nation transcended all other considerations. But when the war is over industry must find customers. It must sell to those who need civilian goods. It must develop a market. It must seek a market. It must sell goods in competition with others. That is the basis of our free enterprise system.

"Both business and labor already have experienced a certain degree of Government control and regimentation. We have accepted it as one of the penalties of all-out war. But we don't like it. And we are determined that when victory is won and peace is restored we will put the Government back in its place in Washington.

"But we can only do that if we are able to prove that we can take care of ourselves without Government assistance. If we fail to establish and maintain full production and full employment in the post-war period, if we fail to bring about harmonious and cooperative relationships between management and labor, if we fail to make our free economy work successfully for the well-being and advancement of all the American people, then the Government will be forced to step in and take over.

"There is the challenge. Do we possess the wisdom and understanding and courage required to fulfill our responsibilities and shape our own destinies? We want freedom. But can we earn it?

"These questions will be answered one way or another in the post-war period. It will be a time of test and trial. If we truly love our freedom, if our devotion to the American way of life runs deep and strong, our answer must be prompt and effective. For the people of our country and the people of the world are growing increasingly impatient with delay and frustration and failure and suffering. They expect—and they have a right to expect—that victory for the forces of democracy in this war will offer them the opportunity to enjoy the fruits of peace, not the ashes of despair.

"The establishment and maintenance of a high wage standard must be inseparably associated with full employment. Through the creation and maintenance of such an economic policy a buying market can be established which will absorb and consume the goods which industry produces. In fact, our ability to consume goods should be greater than our ability to produce goods. The employers of labor are benefited when the power to consume is in excess of our ability to produce. Prices are maintained, income is increased and decent earnings result therefrom. Our whole economic policy would be geared to the point where a consuming market corresponds at least with our ability to produce goods and our facilities of production. The future prosperity of our nation and the welfare of industry and labor depend upon the establishment and maintenance of full employment, high wages, and a high consuming power which will prevent the accumulation of surplus production.

"The American Federation of Labor is committed to the preservation of a free enterprise system. Such a system is based upon our free, democratic process and grows out of the fundamental principles upon which our free, democratic form of government rests. In simple terms, it provides for the right to own and manage property, to risk and invest in private enterprises, and to earn a fair return upon invested capital. But free enterprise must be safeguarded. The creation of monopolies, the establishment of indefensible and unjust cartels, and the formation of trusts and combines cannot be tolerated or permitted. Furthermore, under our free enterprise system, the rights of labor must be recognized and safeguarded equally with the rights of capital. Labor must be permitted to organize and bargain collectively for the purpose of protecting and promoting its economic and social interests. Through such a policy financial and human values can be maintained upon a high economic and social level. The protection of free enterprise and the rights of labor must be regarded as one of our chief objectives during the post-war period.

"The termination of war contracts should be brought about as quickly as possible when the war ends and the financial claims of private industry upon the Government should be settled as promptly as possible in a fair, honorable, and just way. This procedure is provided for in the George-Murray Bill now pending in Congress. The enactment of the Kilgore Bill is imperatively necessary. This proposed legislation deals with the creation of machinery for the purpose of disposing of surplus war materials and for the coordination of war contract cancellations when the war ends. Besides protecting property rights it seeks to protect human rights by providing pay for demobilized soldiers and disemployed civilian workers. An outstanding feature of this measure which especially commends itself to our favorable consideration provides that the representatives of industry, labor, and agriculture shall have a voice in the determination of vital post-war economic policies. These are constructive measures greatly needed in order to provide for a righteous, sound, and workable transfer from a war-time to a peace-time economy.

"The enactment of sound and comprehensive social security legislation is especially urgent and should constitute one of our chief objectives. We in America are far behind other nations where wage standards are much lower than those which prevail here in the enactment of comprehensive social security legislation. The creation of individual and collective security is a primary requirement to the maintenance of our free, democratic institutions and our democratic form of government. It will serve as a preventative against threatened revolution. It provides for the ways and means through which we can maintain the American way of life during periods of economic stress. The loyalty and devotion of the masses of the people to our form of government, to the maintenance of our free enterprise system, our free institutions, and to our constitutional rights will be developed to the highest point through the enactment of a broad, comprehensive social security measure.

"Plans should be perfected for the launching of a nationwide housing and public works construction program immediately when the war is over. The housing shortage has reached a point where it has become exceedingly serious. Every city, town, and community is confronted with a housing problem and a housing shortage. We cannot at the moment adequately appraise our housing needs or the number of homes which should be built as quickly as possible. There is no obstacle in the way nor are there any great difficulties to overcome in the launching of a comprehensive nation-wide housing program. The construction industry requires no elaborate reconversion. It can proceed quickly and can engage in home construction in every locality the very moment manpower and materials are made available. A broad housing, public works construction program would provide direct employment to perhaps two million building trades workers, but even more significant, it would provide employment indirectly to many millions of workers in industry engaged in the manufacture of building supplies and home equipment. Besides lumber, steel, brick, cement and glass the construction of a million or more homes a year would call for vast quantities of textiles, furniture, refrigerators, plumbing, tools, and many other articles. Thus, the new demands made by large-scale construction would galvanize into action thousands of plants and factories engaged in a wide variety of production enterprises. Obviously there is an urgent need for the construction of new bridges, schools, airports, roads, transit facilities, and other necessary public works.

"To avoid fatal delays in getting such a construction and production program started when the war is over, employers, labor and the Government must get together. We urge immediate conferences to prepare the scope of the program, its timing, financing and encouragement. We want the Government to give private industry and private financing a clear field and a green light. Ways and means must be worked out to make materials available and to acquire the necessary land. In the field of public works, local and State governments, whose credit has been strengthened during the war, should take over the financing instead of the already overburdened Federal Government. Above all, management and labor should formulate clear and definite understandings to assure satisfactory and cooperative relationships during the execution of the construction program.

"Because of the tremendous cost of the war, comparatively high taxes are imposed upon all classes of workers, rich and poor alike. This tax burden must of necessity be borne by all classes of people. It is a situation which we are facing now and one which the people of our country will be compelled to face for a long time to come. Naturally, it is impossible to finance the war on a 'pay-as-you-go-basis.' For that reason, the Government has been forced to assume a heavy indebtedness. However, the economic and social situation with which we are confronted calls for the exercise of good judgment and sound discretion in the imposition of taxes. It is my judgment that taxes upon industrial profits should be judiciously imposed and levied in conformity with a long range program. The Federal Treasury would gain through the pursuit of such a policy and private industry would be accorded an opportunity to provide funds for the purpose of financing itself during the post-war period. If such a progressive step can be worked out legislatively with adequate provision against abuses and windfalls, the American Federation of Labor will favor it. These and other constructive steps can be taken in dealing with post-war problems for the purpose of stimulating industrial activity during the post-war period and preparing the road for a long range program designed to achieve the major objectives of full production and full employment. I am convinced that the attainment of these objectives is possible only under a free enterprise system operating under the beneficent supervision of a free and democratic government.

"Both labor and industry have made mistakes in the past. It is not my purpose here to attempt to fix the blame. We should profit through the lessons taught us through experience. Fortunately, under the stress of the war emergency, management and labor have learned to cooperate and collaborate for the national welfare more closely and more effectively than ever before. That trend should not be reversed but instead broadened and extended in the post-war period if we hope to preserve free enterprise, if we wish to rid ourselves of unnecessary and unwelcome Government regimentation, and if we are determined to make the America of the future a finer and more secure home for ourselves and future generations.

"We are fighting this war to end oppression, to destroy totalitarianism, and to establish lasting peace among the nations of the world. Let us likewise resolve to end oppression and aggression in the relations between management and labor at home. The United States of America must not be divided by internal warfare between capital and labor, between employer and worker.

"To solve our post-war problems, to bring full production and full employment, to establish ever higher standards of living for the American people, to guarantee our personal and collective freedom—in other words, to win the peace—I invite American industry to join hands with American labor in lasting unity, friendship, and cooperation."

Public National Attractive

Stock of the Public National Bank and Trust Company of New York offers interesting possibilities for investment, according to a memorandum issued by C. E. Unterberg & Company, 61 Broadway, New York City. Copies of this memorandum outlining the situation may be had upon request from C. E. Unterberg & Co.

Broker-Dealer Personnel Items

If you contemplate making additions to your personnel please send in particulars to the Editor of The Financial Chronicle for publication in this column.

(Special to The Financial Chronicle)

BOSTON, MASS. — **Genevieve S. Dickey** has joined the staff of **Arthur Perry & Co., Inc.**, 31 Milk Street.

(Special to The Financial Chronicle)

BOSTON, MASS. — **Henry C. Pierce** is with **F. L. Putnam & Co.**, 77 Franklin Street.

(Special to The Financial Chronicle)

BOSTON, MASS.—**Joseph M. Batchelder** is with **Vance, Sanders & Co.**, 111 Devonshire Street.

(Special to The Financial Chronicle)

CINCINNATI, O. — **William A. Brown** has become connected with **J. S. Bache & Co.**, Dixie Terminal Building. Mr. Brown was with W. L. Lyons & Co. and Dominick & Dominick in the past.

(Special to The Financial Chronicle)

CLEVELAND, O. — **Robert A. Baker** has been added to the staff of **Hayden, Miller & Co.**, Union Commerce Building.

(Special to The Financial Chronicle)

LOS ANGELES, CAL.—**Patricia B. Hodgins** and **W. Wesley Radcliffe** are connected with **Buckley Brothers**, 530 West Sixth Street.

(Special to The Financial Chronicle)

GREENSBORO, N. C. — **Donald C. Rector** of Mt. Airy is with **Oscar Burnett & Co.**, Southeastern Bldg.

(Special to The Financial Chronicle)

LOS ANGELES, CAL.—**James Wallace**, previously with Protected Investors America, is now with **Bateman, Eichler & Co.**, 453 South Spring Street.

(Special to The Financial Chronicle)

LOS ANGELES, CAL. — **Ruth W. Thompson** is with **Fewel & Co.**, 453 South Spring Street.

(Special to The Financial Chronicle)

LOS ANGELES, CAL.—**Lee H. Wood** has become associated with **Harbison & Gregory**, 210 West Seventh Street. Mr. Wood was previously with the local office of J. A. Hogle & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CAL.—**Joseph Sattler** has rejoined **Pledger & Co., Inc.**, 639 South Spring Street. Mr. Sattler was recently with Oscar F. Craft & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CAL. — **David Mannick** has become affiliated with **Sutro & Co.**, Van Nuys Building. Mr. Mannick was formerly with Protected Investors of America, Conrad, Bruce & Co. and Merrill Lynch, Pierce, Fenner & Beane.

(Special to The Financial Chronicle)

MANITOWOC, WIS. — **Edward J. Mau** is with **First Securities Co.**, Eighth & York Streets.

(Special to The Financial Chronicle)

OAKLAND, CALIF. — **R. Earl Smythe** has been added to the staff of **Geo. H. Grant & Co.**, Central Bank Building.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF. — **O. A. Lindstrom** has become associated with **Bankamerica Company**, 300 Montgomery Street. Mr. Lindstrom was formerly with Franklin Wulff & Co.

(Special to The Financial Chronicle)

WORCESTER, MASS.—**Bernard W. Lubin** has joined the staff of **H. L. Robbins & Co., Inc.**, 390 Main Street.

A Platform For America

(Continued from page 2032)

daily headlines — "Confusion in Draft" — "Confusion in Foreign Policies" — "Confusion in Taxes" — "Truman Committee Reports Confusion in War," etc., then we think back a few years to similar headlines: "Confusion in Relief" — "Confusion in Recovery Policies", etc., we are forced to the conclusion that something is basically wrong in the Executive branch of our Government. I am not discussing the intrinsic merit of the New Deal policies of the past eleven years. I am simply pointing out that you can scarcely remember one that has not needed clarification and the clarification has needed clarification and so on ad infinitum.

The same thing is true in our foreign policy. I believe the American people are not adverse to taking a full responsible part in world affairs, but if we are going to avoid the fumbling of the past, we must make a new start in mobilizing public opinion on a more sound base than it is now.

Every unbiased observant citizen knows that a lack of information and clear direction—the failure of Franklin Roosevelt to enlighten his countrymen concerning his plans—the failure to clarify the differences between his general pronouncements and his actual performance — the failure to crystallize, in terms more comprehensive than unconditional surrender of our enemies, our aims in this war, have all confused and disappointed our citizens.

Then also, there must be in America no East nor West in assuming that intelligence and patriotism in foreign affairs is a matter of geography. That adds to the confusion not only at home but abroad. There must be an end to the hallelujah yammering that gives the impression that Europe and the rest of the world is to come first—and America last.

There must be an end to the policy which deliberately conceals from the American people the political conditions existing in the world.

We must face the fact that both Churchill and Stalin are pursuing an independent course to protect their national interest. I do not know whether from the start the British and Russian Governments have been unwilling to make the concessions necessary for permanent collective security, or whether there has been a real change in direction as a result of the President's failure to formulate a practical clear and stable foreign policy. The fact that the President, the Secretary of State and the Secretary of the Interior take turns in making and altering our foreign policy, must have affected the attitude of our Allies towards post-war settlements. They cannot rely on our leadership in that respect, any more than we can.

No matter who is to blame, we must immediately make a fresh start in the attempt to forge lasting bonds of amity with all peoples. The lack of a better informed public opinion here of political conditions in the world, increases the danger of misunderstandings. The American people have no desire to return to the old order of things, in either the domestic or foreign field. But enduring peace depends on the stability of its foundation, and that requires a broader base than the closely guarded secret conferences of three men.

The fundamental need for building step by step the vital cooperative attitude among the United Nations—for building the vital public opinion to back up that cooperation—is a task which a United Nations World Council can best solve.

The first step to tackle is the relief of economic friction. If we cannot work out sound economic collaborations, what hope is there of working out enduring political collaborations?

No territorial redistribution of the world can equalize opportunities for all nations. But we can make the differences less irritating and burdensome by facilitating international trade. That not only means lower tariffs, but also it means that as soon as possible all governments abandon artificial control of currencies and exchange, quota restrictions, and "imperial preference." The Johnson Act, restricting the financing of foreign loans in the country, should be repealed, in name, as it has been repealed in fact by lease-lend.

Each nation must be encouraged to reorganize gradually and painfully on a sound financial basis, rather than lean upon a world monetary organization for support. It is time the statesmen of the world, including America, take seriously, once more the prudent care of national finance.

I reject the New Deal theory that an unbalanced budget and a spendthrift psychology is a national asset. It threatens all the social gains of generations. I view a permanently unbalanced budget as a national menace and we should strive by economy and efficiency, its earliest possible balancing.

Just as territorial redivision after every war is a menace to enduring peace, so are government sponsored cartels, monopolies, tariff and trade barriers and "blocked" exchange. We cannot have a high level of employment unless there is by and large, world economic stability. Furthermore, I believe dictatorships in the world will fade with the rise of true prosperity.

We can make our currency the soundest in the world. We have the largest and most modern merchant marine. We have the most efficient mass-production system. I believe it is to the interest of America to unite with other nations in a spirit of mutual concessions and mutual responsibility in removing economic frictions.

Our position as the world's leading creditor nation—the world's leading manufacturing nation — the world's leading merchant marine nation, makes it imperative that we change our tariff policies.

I believe that our reconstruction and world reconstruction requires a more liberal tariff policy on our part. Our present tariff and world credit financing policy means a closed system and progressive delay. No system of extravagant spending on public works will bring the prosperity that the waiting markets of the world will bring.

I believe that this is the only way we can enjoy solid prosperity, and I believe it is a necessary contribution to social and economic relations between people upon which peace is ultimately based.

I believe the peace and happiness of our country is linked with the happiness and prosperity of all countries.

Of course it is folly to ignore the political and spiritual forces indigenous to every country. I fear an attempt to reform the world on the basis of the good old American tradition, "There ought to be a law," and then thinking everything is "Jake." There is too much talk about coercive principles without considering the removal of evils which precipitated the war. The aggressor nations, in past history, have not always been the same ones.

Here in America good citizens are devoting themselves to the cause and removal of racial tensions. They are not content simply to rely on a police force to suppress them. Haven't we the same situation in the world?

Peace can best be maintained over the years if we frankly recognize now that its base rests on justice, humanity and Christian fellowship for all races—yellow, black, brown, as well as white. I am more concerned at this moment with keeping the base on the proper level than in the forms and blueprints.

I believe in a committee of nations on which smaller countries are represented to guide mandated territories of hitherto subjugated people until they are capable of achieving political autonomy.

The courage and fighting ability of our incomparable soldiers and sailors stirs the depth of our emotions. But in recognition of their sacrifices, our government must decide whether this war is a conflict of principles or whether it is just a grab for world dominion.

We should have had long ago, the long promised report from the President, on his conferences, conversations and agreements with Stalin and Churchill. There is a marked difference between Woodrow Wilson's public diplomatic exchanges and the personal secrecy of Mr. Roosevelt. Wilson led in public debates formulating American public opinion, but we do not know under Mr. Roosevelt, whether as a result of his conferences, we are headed in the direction of a super international State—a league of nations—a federation of nations—a world court—or a balance of power alliance between Russia, Britain and America—with the world divided into three spheres of influence, or a direction not yet made known.

We do not ask for perfection because we know that shaping the post-war policies depends on others as well as ourselves.

We do ask to know what is the best the President has been able to obtain in a definite line of policies in order that this war may build up peace and happiness for America.

Domestic issues and international issues are not separate and distinct from one another. They are in fact similar, and are determined one by the other. We must seek economic peace and harmony abroad and at home. We scarcely can expect to have much influence on such conditions in the world's sphere, if we cannot set our own house in order.

The Nation's Chief Executive must have respect for his own branch of Government as well as an equal respect for the legislative branch, with the realization that the two must work together to accomplish the best results. The history of Mr. Roosevelt's relations with business, labor, agriculture and Congress is one of intermittent wrangling and uneasy truce, but with no permanent peace.

Plainly we cannot continue that way with the President's chip-on-the-shoulder attitude. Far reaching issues can only be solved by an Executive and Congress who bring to the task mutual good will and a common determination to treat the American economy as an indivisible unit. Unity of labor has been deliberately upset by White House politics. The whole country has suffered from such maneuverings.

We are all inter-dependent and no group can suffer a disadvantage without the others suffering also. All should have a voice in post-war planning. We fought a Civil War to establish political unity in this nation. How much more grief will we have to undergo before we understand how indispensable is its economic harmony.

Any program for America's progress calls for a scientific revision of our antiquated tax structure. It has been patched so many times that no one knows for sure how to interpret it. A whole new tax law should be written from the ground up. That, of course, is a monumental task. It should be aimed at adequate revenues — ability to pay—increased encouragement for venture capital and the fair distribution of excessive wealth and concentrated economic power—so as to maintain the balanced economy without which all talk of the free enterprise system is meaningless. We must keep open the doors of opportunity for every individual. That is particularly vital with ten million soldiers returning to take up their rightful places in the Nation's business life. The benefits of technological progress as well as production efficiency, must promptly be passed to the consumer and wage earner.

Good government calls for a prompt and thorough revision of our antiquated pension acts. The present laws very seriously need codification so that the veterans and the Administration as well, can be sure what the law is and can give the veterans and the Government both a fair deal. Like the tax laws, there are so many rules, regulations and interpretations of them in our pension acts, that no one can be sure that justice will be done the Nation's service men and women.

I favor repeal by the Congress as soon as the war is over, of all acts delegating emergency powers to the President.

I favor the election of a President this fall who will use these great emergency powers with discernment and according to the plain intent of the Congress.

Republicans and Anti-New-Deal Democrats march under the banner of a Government conceived by and for Americans. We desperately need a President who will not attempt to eliminate the Congress from its historical and traditional place of responsibility as the New Deal has done.

To mention one vital matter out of many that illustrate the great, important and vital place the Congress plays in our lives: The average citizen would have been helpless against Washington bureaucratic inertia, arrogance and stupidity if he had not had repeated action by vigorous and intelligent and experienced members of the Congress.

We cannot hope to remove racial and religious conflict abroad and at the same time ignore its aspects at home. World recovery depends on helping other peoples to help themselves by increasing their productivity and thereby raising their standards of living. Our own recovery depends upon exactly the same thing and our ability to obtain the general cooperation of all groups and interests in that objective will be a pretty fair index of what we shall be able to achieve in the world community.

Again, I remind you that we must keep in mind that our international and domestic policies cannot be separated. Only the unthinking will vote for a candidate simply on the claim that he has a "strong" foreign record. A man can't be a "statesman" abroad and a failure at home and be of much use in the period ahead, either to America or to the world.

Reorganizat'n Potentialities

McLaughlin, Baird & Reuss, 1 Wall St., New York City, members of the New York Stock Exchange, have prepared an interesting circular discussing the reorganization potentialities for selected securities of the Missouri Pacific System. Copies of this circular may be had upon request from McLaughlin, Baird & Reuss.

Mallory Interesting

P. R. Mallory & Co., Inc., offers an interesting situation, according to an analysis prepared by Steiner, Rouse & Co., 25 Broad St., New York City, members of the New York Stock Exchange. Copies of this analysis may be had from Steiner, Rouse & Co. upon request.

Municipal News & Notes

The Texas Supreme Court decision of May 10, in the Jefferson County litigation should resolve any fears entertained by holders of Texas municipal bonds regarding the court's attitude toward their fundamental rights as creditors and its intention to fully protect the status of their investments. The ruling in question resulted from the refusal of the State Attorney General to approve refunding bonds proposed to be issued by the county and Road District No. 1 in order to redeem, in advance of stated maturity dates, certain outstanding obligations.

The county move was taken in light of the court's earlier ruling in the famed Cochran County case and the basis of its contention that the bonds in question were subject to optional redemption prompted widespread interest in the outcome of the proceedings.

The Attorney General had rejected the applications "on the ground that the outstanding bonds to be refunded are now owned by third parties and are not redeemable at this time." The State's highest court upheld the Attorney General and disposed of all four applications in a single decision, written by Chief Justice James P. Alexander.

The effect of the decision is to eliminate much of the apprehension that has prevailed in investment and some legal quarters as to the scope and possible application of the court's decision in the Cochran County case. In this instance, the court held that certain Texas municipals were subject to prior redemption after 5 or 10 years from date of issuance, regardless of whether or not the issuer had specifically reserved the right to prior redemption at the time of issuance and sale. The county contended that such option was provided for in the case of bonds issued pursuant to Chapter 1 of Title 18 of Revised Statutes of 1911 (Article 611), which was subsequently brought forward as Article 720 of Chapter 2, Title 22, in the recodification of 1925.

In ruling in favor of Cochran County, the court held that the optional provision contained in the statutes was "read into and made a part of the contract." In effect the court maintained that the bondholder is charged with knowledge of the law and is subject to its provisions, even though the bond issue itself was wholly devoid of any evidence or indication that the securities were subject to prior redemption. The decision was referred to by one Texas dealer, in a recent communication, as "legally evitable."

However, in the recent Jefferson County decision, the court clearly restricted the application of its ruling in the Cochran County case to bonds specifically authorized and issued pursuant to the provisions of the above-mentioned statutes. It makes clear its intention not to countenance any attempts of local units to employ that decision as a vehicle to call and redeem outstanding bonds which do not definitely come within its provisions.

Of particular significance in the instant case is the language employed by the court in denying the county's application to call and refund the $125,000 bonds of Road District No. 1. In its petition, the county referred to the provisions of Article 752X, Vernon's Anno. Siv. Stats. (Acts of 1929), empowering counties to refund road bonds ". . . issued for and on behalf of a political subdivision or defined district or consolidated district in such county."

In this regard the court stated as follows:

"That Article does authorize Commissioners' Courts to refund any road bonds previously issued, or that may be thereafter issued, by any road district. But the only reasonable construction to be placed thereon is that it was intended to authorize the Commissioners' Court to issue refunding bonds for the Road District when the old bonds sought to be refunded were then redeemable, or when they could be redeemed with the consent of the owner thereof. If it was intended thereby to alter bonds previously issued and sold so as to make them redeemable contrary to their terms as construed in the light of the statutes as they existed at the time the bonds were issued and sold, and without the consent of the owner thereof, then the statute would be void as impairing the obligation of an existing contract. See Article I, Section 16, of the Constitution.

We think the only purpose of this Act was to make it clear that the Commissioners' Court was the proper authority to issue the refunding bonds for the Road District where the bonds sought to be refunded were otherwise redeemable."

Dealer Comments On Ruling

Apropos to the court's decision in the Jefferson County proceedings, H. H. Dewar of Dewar, Robertson & Pancoast of San Antonio, in a letter addressed to the "Chronicle" under date of May 11 said:

"We are enclosing a copy of the Supreme Court of Texas opinion just handed down in the test cases relating to the callability of certain Jefferson County Bonds. The tone and clarity of this decision should set at rest the fears that have been expressed in some quarters as to the attitude of Texas' highest court to bondholders. As we have said before, the consequences of the unfortunate but legally inevitable Cochran County decision were not as far reaching as some prophets of doom would have had us believe. The harm to Texas credit came more from these forebodings than from the effect of the decision itself, and even the consequences of this could have been greatly mitigated by a realistic attitude in the beginning.

"We are still, we hope, a government of laws and not of men. Bondholders, of all people, should believe thoroughly in this doctrine. It usually works for their protection. In the Cochran case it worked against them because of the unfortunate existence of a statute which had carelessly not been brought before the Court for interpretation (in the days when an adjudication of the question would not hurt). Does this mean that bondholders should lose confidence in the Texas Supreme Court? On the contrary, it should give them confidence in a Court which was upholding a government of laws. These are the sort of things that most of us feel can and should be said about Texas institutions."

Philadelphia Municipal And School District Finances And Debts Surveyed

The Citizens Committee on the Philadelphia Debt Structure has just released a summary of the analyses made of the financial operations and debt trends of the City and County of Philadelphia and the Philadelphia School District, respectively, during the years 1920-1943. The summary was prepared by Caspar W. B. Townsend, Esq., and reviews some of the highlights adduced by the separate analytical studies, copies of which may be obtained upon application to the Pennsylvania Economy League, 123 South Broad St., Philadelphia 9. The study pertaining to the city and county government was prepared by the League, and that covering the school district was compiled by the Bureau of Municipal Research of Philadelphia.

The summary draws a vivid word picture of the developments and trends in the financial operations and debt structures of the respective units and also refers to future prospects. Though acknowledging that the credit of the school district has shown marked improvement during recent years, the summary points to one bad feature with respect to its bonds, which "could possibly be cured by legislative action."

This is the fact that they are payable from a limited tax levy, thus making them ineligible for investment by trustees in New York and other neighboring States and otherwise limiting the market and price obtained by the district in the sale of its obligations.

The reason for this tax limitation is found in a decision of the Pennsylvania Supreme Court, which held that the Board of Public Education "being an appointive rather than an elected body, cannot be given the power of unlimited taxation." (Wilson, et ux vs. School District of Philadelphia, 328 Pa. 225 (1937).) However, the summary says, a statute could probably be amended so as to provide for payment of debt from unlimited taxes, with the result that "an obstacle which has always acted as a deterrent in the sale" of Philadelphia School District bonds would be immediately removed.

The district's gross bonded debt declined from the 1939 peak of $80,511,000 to $53,772,500 at the end of 1943. Net debt at Dec. 31 last year was $37,112,000 and on Oct. 31, 1943, school plant and equipment had a listed book value of approximately $130,000,000.

The credit rating of the City of Philadelphia has been "vastly improved," the summary observes, and in this connection notes that one standard credit service recently raised rating on the city's bonds from BAA to A. The largest single factor responsible for the improvement was the enactment of various measures which has made it possible for the city to maintain a balanced budget yearly since 1940. This is in sharp contrast with the situation which prevailed in preceding years back to 1929, during which period the "city accumulated a floating debt of staggering proportions." With the year-end deficit at the end of 1938 amounting to more than $32,500,000, which included arrears on sinking fund payments, the city decided to take "drastic measures" to correct the situation. While admittedly only a "stop-gap" measure, the $41,000,000 derived by the city from the sale of future revenues from the municipally-owned gas works made it possible to liquidate the accumulated floating debt, pay sums owing to sinking funds, and help balance the 1939 budget. It was then necessary for the city to obtain some additional source of revenue in order to balance revenues and expenditures in the future.

Accordingly, the City Council in 1940 levied the wage tax of 1½% (since reduced to 1%), which provided "the solution to the city's financial problems." Despite the loss of $4,200,000 in revenues from the gas works, the revenues obtained from the wage tax, coupled with real estate taxes and other income, "has enabled the city to take care of its current obligations promptly, maintain its sinking funds adequately and end each year, since 1940, with a surplus."

The city has greatly reduced both its gross and net debt burden during the past decade, with the result that the sum required from current revenues for debt service has been sharply lowered, the summary reveals. One of the principal reasons for the decline in funded debt is the fact that the city has not been able to incur any further general obligation indebtedness since 1933 due to absence of borrowing capacity. During that period, however, some debt was retired and substantial payments made to the sinking funds to meet future maturities.

As a consequence, the gross municipal debt, which reached a peak of more than $571,000,000 in 1934, had declined to slightly more than $476,500,000 at the close of 1943. Net debt is now about $337,500,000 and contrasts with the record high level of $445,410,000 which obtained at the end of 1932.

The city's debt position was greatly enhanced as a result of the refunding programs carried out in 1941 and 1942 by the Drexel-Lehman banking group. As a result of these operations, about $183,000,000 of bonds were refunded in advance of their callable date, with the new bonds to bear substantially lower interest rates after the call dates of the outstanding bonds for which they were exchanged. Another factor mentioned in the summary as benefiting the city's credit and debt position is the recent adoption of the practice of issuing serial bonds, as distinguished from term obligations. Continuance of this policy, it is said, will ultimately occasion elimination of sinking fund balances.

In that event, "an element in the city's financial policy which has been the cause of much discussion and considerable litigation may ultimately become unimportant."

The survey further says that "A far more conservative policy has prevailed in management of the sinking fund since 1940." The present Sinking Fund Commissioners, it is noted, "have placed a realistic valuation on sinking fund earnings, which valuation has been modified when occasion demanded." With regard to the refunding bonds issued under the "plans of 1941 and 1942," the operations of the appropriate sinking funds "should be largely automatic," since the city has the "option of calling the bonds without being required to call the entire issue or the entire series or maturity within such issue."

As for future borrowing operations, the summary states that the decision by Court of Common Pleas No. 7 of Philadelphia County on Feb. 25 last holding that the outstanding Frankfort Elevated Railway bonds are self-sustaining and deductible in determining borrowing capacity has served to lower the excess debt over borrowing capacity to approximately $1,500,000. However, the sinking funds hold about $10,500,000 par value of United States Government bonds which, under an earlier decision of the Pennsylvania Supreme Court, are not a proper deduction in arriving at net debt.

Liquidation of these bonds or enactment of legislation (similar to that granted other Pennsylvania communities) permitting use of this asset as a credit against outstanding debt, would give the city an "unencumbered general borrowing capacity at the present time amounting to slightly more than $9,000,000," the summary declares.

The city has also taken necessary action to make the outstanding sewer debt self-supporting and exempt from the general debt limit. To this end, the City Council recently enacted a sewer rental ordinance to raise $6,000,000 annually to meet operating costs and debt service charges on existing debt and the $42,000,000 post-war sewage disposal project. To become effective, the ordinance must be tested in the courts and voters must approve the use of borrowed funds for completion of the municipal sewage disposal system.

In concluding its review of the city's finances, the summary admonishes that current period of "full employment and high wages will not last forever . . . and urges that the city profit by its past experiences and guard against the heavy burden of long-term debt and the accumulation of deficits due to unrealistic estimates of revenues and expenditures."

Noting that the city has made "rapid strides in the 1940s toward putting its financial house in order," the summary adds: "May it continue to follow this course."

Kuhn, Loeb Group Marketing Industrial Rayon Issue

Kuhn, Loeb & Co. and Harriman Ripley & Co., Inc., headed a syndicate of underwriters which made public offering May 17 of a new issue of 100,000 shares ($10,000,000) of $4.50 preferred stock, series A, of Industrial Rayon Corp., Cleveland, O., one of the oldest and largest rayon manufacturing establishments in the country. Other principal underwriters are Blyth & Co., Inc., Goldman, Sachs & Co., and Lehman Brothers.

The new stock is priced to the public at $99 per share. The proceeds, together with any necessary treasury funds, will be applied to the retirement of $10,000,000 promissory notes to banks, which notes were issued on Jan. 3, 1944 principally to finance in part a $14,000,000 expansion program authorized by the War Production Board and now being carried out at the corporation's several plants. This expansion program involves the installation of additional viscose making capacity and additional machinery for the production of tire yarn and for the manufacture of tire cord and fabric from such yarn.

The company is an important factor in the textile yarn field and the tire yarn development adds a large market not previously served. Both the Cleveland and Plainesville, Ohio, plants are equipped to make yarn by the company's continuous process. The Covington, Ky. plant produces yarn by the spool spinning process and has knitting equipment to make fabric out of a substantial portion of such yarn.

The corporation does not expect any substantial post-war reconversion problem.

After giving effect to this financing the corporation will have no funded debt. Net sales of the corporation and its wholly-owned subsidiary, Rayon Machinery Corp., in 1943 totaled $20,565,314, compared with pre-war net sales of $12,264,980 in 1939. Current assets as of Dec. 31, 1943, were $10,801,193, including cash of $2,144,712 and U. S. Government securities of $4,768,265, against current liabilities of $3,213,282.

Stewart J. Lee Co. Resumes Activity

Stewart J. Lee Company, securities dealers firm, which has been inactive for the past year, has again opened its offices at 60 Wall Street, New York City.

It will be recalled Stewart J. Lee Company received a sweeping decision in its favor last year when Judge James Alger Fee in the United States District Court offered findings rejecting the Securities and Exchange Commission's contentions in a dealer mark-up case.

Fashion Park Attractive

A detailed study of Fashion Park, Inc., is contained in a special circular prepared by Simons, Linburn & Co., 25 Broad Street, New York. Copies of this interesting study may be had from the firm upon request.

A Post-War Tax Program

(Continued from page 2049)

Carry-back, carry-forward probably will be continued as a permanent feature of our tax program. A single year does not provide accurate measurement of profits, especially for small companies. Revenue Act of 1942 allows losses to be carried back two years; if all losses then have not been offset, remainder may be carried forward two years. Result is a rough 5-year averaging.

Same principle is being discussed for individuals as well. (Now applies to businesses, whether owned by corporations, individuals or partnerships.) Proposal just; but not feasible because of the enormous administrative machinery required.

Special Carry-forward for New Businesses: Businesses which have profited greatly during the war will enter the peace with what amounts to a huge carry-back reserve. New businesses, many to be started by returning soldiers, will lack this advantage. Heavy pioneering losses incurred would be offset if a new concern were allowed to carry-forward losses for 5 or 6 years. Another plan would make longer carry-forward universal, 6-year carry-forward and 3-year carry-back, or 5-year carry-forward and 2-year carry-back. British allow losses to be carried forward for 6 years.

To Reduce Cyclical Fluctuation: Depressions are partly the result of preceding booms. Two tax proposals to discourage excess of booms and depressions:

1. Reduce boom-stimulating inventory-speculation by disallowing carry-back and carry-forward for inventory losses.

2. Discourage purchase of capital goods during booms by tax concessions for their purchase during depression. Credits would be allowed to firms which spend depreciation reserves when their profits drop under 50% (or some other specified percentage) of preceding 5-year average. Most companies suffer set-backs in profits when general business is poor; so criterion, though individual, usually will designate depression years.

A non-political criterion, such as the above, is necessary. Depressions never end, even in the biggest booms, if politicians thereby must offend voting groups. Evidence: New York State Legislature has voted 14 one-year continuations of the depression-born moratorium upon mortgage foreclosures.

Depreciation Allowances: Investment in new equipment would be stimulated by doubling present depreciation allowances. Risks would be reduced if write-off could be completed during period when usefulness can be forecast.

Capital Stock Tax and Declared Value Excess Profits Tax are "guessing game" levies. They fall heaviest upon small businesses which often make only "salaries" for the owners. Profit fluctuations are especially violent for small concerns.

Incentive Taxes: Tax ideas discussed here, are in effect incentive taxes; all are sponsored by reputable economists. Many crackpot schemes are also labeled "incentive taxes"; they have no chance of adoption. Among them: (1) Sliding scale tax reduction based on percentage above firm's alleged normal employment; (2) tax on money designed to increase its turnover; (3) tax on idle savings.

Individual Rates: Federal budget will require 20 billions a year. Taxes must be raised primarily on individual incomes if business is to be stimulated by the program herein described. Individual rates, although less than present rates, will have to stay well above 1939-40.

Inflation: If inflation becomes a serious post-war danger, high individual rates should be maintained as a deterrent. If the war should end soon after 1944 election, the Administration, new or old, will be less subject to political pressures; rates may stay high. But at the approach of the first post-war election, inflationary possibilities will be disregarded; both sides will promise tax reduction.

Debt Consideration: National debt should be reduced during early boom years when reduction would be most painless. When decline in business comes, individual rates will be immediately reduced.

Capital Gains and Losses: Capital gains tax is likely to be repealed except against professional speculators and dealers in securities. Investment in small industry will be encouraged if investor knows he can sell when the industry is established, without paying most of the profits to the government. Capital gains tax produces little revenue, tends to freeze capital, prevent turnover.

Investment Considerations: Interest, allowable as a deduction, has escaped the corporate tax. Until 1933, however, income received in dividends was exempt from normal individual income tax, so tax considerations were not paramount when corporations had to choose between financing by bonds or by stocks.

Now, however, corporations have a strong tax inducement to finance by what is usually unsound: debt creation.

Equity financing would be encouraged by allowing lower individual rates on income from equity from mortgage investments. Expansion would be stimulated if preference were limited to new equity issues.

Constitutional Amendments: 1. Senator Tydings has proposed an amendment prohibiting Congress from appropriating more moneys than is being collected in taxes, except by 60% vote of each House of Congress. No current indications that Congress will propose it to the states.

2. Fourteen state legislatures have petitioned Congress to propose an amendment prohibiting the federal government from levying income taxes in excess of 25%, except in time of war. When 32 state legislatures approve petition, Congress must call constitutional convention. However, convention is not requird to act upon petitioned amendment; in fact, is free to revise entire Constitution. Convention's proposals must be ratified by three-fourths (36) of the states—either by action of state legislatures or by state conventions, whichever is designated by Congress.

"Twenty-five per cent limitation" movement is growing, actually may be petitioned by the required 32 (two-thirds) legislatures.

What would happen if an unlimited Constitutional Convention should meet tomorrow?

What likelihood is there that 36 states would ratify its proposals?

These are interesting questions for political speculation. Of course, proponents of the present 25% tax limitation amendment hope to persuade Congress itself to submit their amendment to the states.

Hugh D. Carter To Be Courts & Co. Partner

ATLANTA, GA.—Hugh D. Carter, Jr. will become a partner in Courts & Co., 11 Marietta Street, N. W., members of the New York Stock Exchange, as of June 1. Mr. Carter has been associated with Courts & Co. for many years and is Syndicate Manager for the firm.

Asks A Bimetallic System At Ratio Of 14 To 1

George H. Watson Of The Great American Prospectors Association Asserts This Ratio Is Based On the Comparative Quantities Produced And Production Costs Of Gold And Silver.

In a statement contained in the May 5th issue of "Western Mineral Survey" of Salt Lake City, Utah, George H. Watson, scribe of the Great American Prospectors Association urged the universal adoption of bimetallism "because a strong monetary system, based on gold and silver at a fixed ratio is of major importance to every person, not only in this country but in the entire world." He ascribed the price collapse of silver in recent years to the following causes:

Geo. H. Watson

"1. The extra supply of huge stocks of silver derived from demonetized coin, a movement in which many countries have taken part. Secondly, the most derogatory moral effect caused not merely by this unprincipled action, but also by the uncertainty of more coming, perhaps, in the near future, or possible at a later date. There has been a huge black cloud overshadowing the silver market like the angel of death.

"The movement was initiated by Great Britain in 1920. At that time the British pound sterling had lost 20 to 25 per cent in value. The wounds caused by a most frightful war were still wide open. The Finance Minister had to hunt for means wherewith to balance the country's budget. It is reliably asserted that Mr. Winston Churchill, the then Chancellor of the Exchequer, in searching for funds wherewith to reduce his budgetary deficit, struck upon the idea of melting all of Great Britain's silver coinage (then 0.925 fine) and re-minting the same, but with a basic fineness of only 0.500. The measure is supposed to have netted him three million pounds. Large quantities of extra silver were then disposed of in 1921 and 1922, probably 90 million ounces. But the sale of further supplies from the same source continued from year to year, unheralded and uncontrolled. In 1929 alone about 10 million ounces were being supplied to an unwilling market.

"The example of England was promptly followed by Germany and Poland, which countries both struck new silver coins with a fineness of only 500-1000ths. Forced by the exigencies of the World War, Germany had been forced to liquidate almost all her silver stocks.

"France did likewise. In 1919 and 1920 France became a large seller of silver, a considerable portion of which, derived from melted 5-franc pieces was shipped to Shanghai. During her severe monetary troubles, extending until 1928, France abstained from minting silver franc pieces and other coins, but instead circulated in the country 1 and 2-franc pieces made from brass and aluminium. Meanwhile France has constantly been figuring as a seller of demonetized silver, thereby doing irreparable harm to the reputation of the white metal.

"The example of these countries was promptly followed by most of their neighbors, notably Belgium, Switzerland and Italy, all of which have figured as potential sellers of silver at most inopportune times.

"Fourteen ounces of silver to one ounce of gold is undoubtedly the proper ratio as it is based on the comparative quantity of production of these metals and comparative costs per ounce of production. This Bimetallism is the only sound currency and should be the basis of our money and should be adopted immediately for a period of at least 100 years.

"Thus is there hope of real confidence in our currency and our bonds.

"Time does not permit to present to you more than this very brief sketch. However I trust that the position in its deplorable simplicity has been made quite clear that the peoples of this great country of ours are expecting, yes insisting, that Congress adopt this Bimetallism without further delay, or any further world economic monetary conferences."

New Libby Issue Offered By Glore, Forgan & Co.

Glore, Forgan & Co. headed a banking syndicate which May 17 made public offering of a new issue of $7,500,000 of 1 to 3% serial debentures of Libby, McNeill & Libby. The debentures mature in $350,000 amounts from May 1, 1945, to May 1, 1958, with $2,600,000 due May 1, 1959, and are priced at par and accrued interest for all maturities. Coupon rates run from 1 to 3% according to maturity.

Net proceeds from the financing, along with other company funds, will be used to retire, before July 1 at 104, the outstanding first mortgage 15-year sinking fund 4% bonds due in 1955. On completion of the financing the company's capitalization will consist entirely of this issue of debentures and 3,627,985 shares of common stock outstanding of a total authorization of 4,000,000 shares. Thus, as a result of the financing, Libby eliminates its mortgage indebtedness with the substitution of the debenture issue, decreases its interest charges and extends the maturity of the loan from 1955 to 1959.

The company is one of the world's leading packers of food products, principally canned goods, and now operates 42 plants in the United States and territories and, through subsidiaries, two in Canada and one in England. It is understood to pack a greater variety of foods under one label than any other factor in the canning industry. During the past three years sales of canned meats, California fruits, vegetables, pickles, condiments and pineapples represented from approximately 76 to 81% of consolidated net sales of the company and its domestic and Canadian subsidiaries.

Net working capital increased about $10,500,000 between Feb. 25, 1939, and Feb. 26, 1944, when it totaled $32,500,000. As a result, the company has had to borrow but little from banks in recent years and then only small amounts for short periods of time.

Attractive Situation

The current situations in Loft Candy Corp., Majestic Radio and Television, and Allen du Mont Laboratories offer attractive possibilities according to a memorandum issued by J. F. Reilly & Co., 111 Broadway, New York City. Copies of these interesting memoranda may be had from the firm upon request.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 2030)

price, don't argue with it. Get out.

* * *

Servel is still between hay and grass (same as the market). It still flirts with the 18 price on top and shys away from the 17 figure on bottom. Action, as compared with the market, is slightly better but not enough to warrant holding for more than another week if it doesn't snap out of it. Last week, column suggested switching into National Gypsum, selling then at 9¾. Latter is building up for a move but is waiting for the market to allow it to get going. On downside, NG should hold 9. On upside, offerings are present 10 to 11.

* * *

Among the rails there are few stocks which show much of anything. There's a lot of talk around about how good they are but market action doesn't back it up. Only rail that acts fairly well is Great Northern Railway.

* * *

The utilities is another group about which big things were spoken of a few weeks ago. So far, none of these have materialized and the way group behaves doesn't show any signs of materializing for some time. Brooklyn Union Gas seems about the only utility to show signs of gumption. Stock runs higher than the group and if group could do anything Brooklyn Union should take the lead.

* * *

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

War And Post-War Position Of The Aircraft Industry

The aircraft industry illustrates perhaps more clearly than any other division of American business the tremendous economic dislocations caused by modern warfare, states the Guaranty Trust Co. aircraft industry in a recent issue of **The Guaranty Survey**, its monthly review of business and financial conditions in this country of New York in discussing the war and post-war position of the and abroad.

"From a comparatively small but rapidly growing branch of manufacture before the war," **The Survey** continues, "it has mushroomed into a giant among industrial giants, absorbed large sections of other industries, and assumed a position from which readjustment to peacetime conditions will be one of the most critical reconversion problems.

Magnitude of the Industry

"The war has made aircraft manufacturing the largest industry in the history of this or any other country. In four years the value of its annual production has expanded from $150 million to an estimated $20 billion, and the number of people it employs has increased from 70,000 to 2 million. With the supporting activities of essential services included, the employment total has been roughly estimated at 5 million. The industry today is more than five times as large as the automobile industry was in its year of greatest peacetime production. In making this comparison, it must of course be remembered not only that the automobile industry is producing much more than it ever did in times of peace but also that automobile producers are contributing greatly to the output of the aircraft industry itself.

"Under any conditions, the reconversion of an industry of such magnitude from wartime to peacetime operations would be a major task. In the aircraft industry, certain conditions exist that make the problem unique. The phenomenal rate of expansion during the war period is a reflection of the fact that the industry, despite its present enormous size, had no large established peacetime market. The pressure on production for the military market, moreover, has been so great that little time or attention has been available for post-war planning. The industry faces a future of which not even the broad outlines are clearly marked, and hence a reconversion problem that is perhaps more difficult to gauge than that of any other major American industry.

Outlook for Post-War Demand

"The magnitude of the reconversion problem clearly depends on the size of the post-war market for aircraft. It is generally agreed that the demand will be a great deal larger than any experienced before the war; but how great the difference may be, and how long and how rapidly the post-war growth may continue, are questions that only the future can answer. Authorities within the industry appear generally inclined to take a rather conservative view of the early post-war prospects and to deplore the extravagant predictions that have been made in some quarters concerning the probable growth of air transportation. Such forecasts, they believe, are based too largely on the obvious superiority of air transport in the matter of speed and take too little account of the even more vital question of cost, which is the decisive limiting factor in the outlook for the future development of civil aviation. Only where air transport can offer owners, passengers and shippers a fair balance between the advantages of greater speed and the higher cost of that speed can aircraft manufacturers anticipate large-scale demand.

"The post-war military demand is difficult to forecast, depending as it does on governmental policies here and abroad and on the future course of international relations. It is probably safe to assume that for some time at least the United States will maintain itself in a state of greater military preparedness, particularly as regards aircraft, than before the war. One estimate is that our peacetime air force will number 24,000 planes and will require replacements of 6,000 a year. At this level, the military demand at home would considerably exceed the total pre-war market and, together with the requirements of foreign nations lacking adequate aircraft industries of their own, would probably represent the largest single source of demand. Even this great increase in the production of military planes, however, would provide employment for only a small fraction of the industry's present capacity and labor force. The tremendous number of military aircraft that will be in the Government's possession at the close of the war will, moreover, tend to restrict the demand for new planes for some time thereafter.

"In the field of small aircraft for personal use, rapid development is likely, though not on such a scale as the more enthusiastic forecasts would suggest. Many obstacles remain to be surmounted before the demand from this source can place the industry on a basis at all comparable with that of automobile manufacture, for example. Even though production on a larger scale than in the past may result in important savings in initial costs, the relatively high costs of operation will remain a strong deterrent to the development of a mass market.

Passenger Transportation

"As for commercial aviation, the most promising opportunities for expansion in the visible future appear to lie in the field of passenger transportation. It is in this division of aviation that speed is most important relative to cost. When this prospective increase in volume of traffic is translated into numbers of planes required, it indicates a surprisingly small probable demand. Larger planes, higher speeds and improvements in operating methods, while reducing costs, tend also to limit the need for new aircraft. It would be theoretically possible, according to current estimates, to carry a traffic load equal to more than six times the 1940 volume of air traffic in the United States with less than double the number of transport planes in operation in that year.

"The question of cost is particularly crucial in connection with freight transportation, where the great bulk of the potential transport demand is to be found. Not only is cost, generally speaking, much more important than speed in connection with freight traffic, but the cost differential between air and surface transport for most types of cargo is still very wide. Present costs of operation, including overhead as well as direct flying costs, are fairly stable throughout the air transport industry at approximately 40 cents a ton-mile. This compares with rates of 14 to 15 cents for first-class railway express and average rates of less than 1 cent for both railway and ocean freight as a whole.

"In the express field, there seem to be opportunities where the advantages of speed may offset the cost differential. But the great bulk of freight will continue to be carried by land and water unless the cost of air transport can be reduced to a very much lower level than is now in prospect. Even in the transportation of perishable foodstuffs, in which air transport is often mentioned as having great potential value, its usefulness seems to be limited by the fact that not many foods can command prices high enough to absorb the cost of a long haul by air.

Surplus War Planes

"It is in connection with commercial air transport, freight and passenger, that surplus war planes may become a factor of major importance during the early post-war period. Not many combat planes, it appears, can be economically converted to civilian uses. But a very different situation will exist with respect to the huge numbers of transport planes that will be in the possession of the Government at the end of the war. Most of these planes will be included among surplus war supplies and will be readily convertible for peacetime transportation. The number and condition of such planes that will be available are highly uncertain, depending on the length of the war, the level of requirements in the later stages of the conflict, the number of planes destroyed and the degree of deterioration. One estimate is that by the end of 1945 there will be about 25,000 transport planes in serviceable condition. It seems safe to assume that the number will be measured in thousands, while the market, for some time at least, will be limited to hundreds.

"It is evident, therefore, that the problem of surplus disposal is one of vital importance to the aircraft industry. Surplus war planes may seriously reduce the demand for certain types of commercial aircraft for some time after the war unless the program of disposal is so regulated as to preserve a part of the market for manufacturers and unless the latter are permitted to do advance work in the designing of newer and more efficient types.

Reconversion a Difficult Problem

"It is difficult, on the whole, to foresee any early prospect of peacetime aircraft production and employment greatly exceeding 10% of the probable wartime peak. Even at that figure, the volume of the industry's output will be several times as large as it was before the war. The great bulk of the $3 billion in additional plant facilities built since the beginning of the war, however, will have to be scrapped or converted to other uses; and the vast majority of the workers will have to leave gainful employment or find other jobs. This represents a substantial share of the total reconversion and reemployment problem that will confront the nation at the end of the war.

"In order to meet the problems of reconversion in an orderly and constructive way, the industry must be allowed to maintain itself in a strong financial position and particularly to build up adequate amounts of working capital. Present methods of renegotiation, together with income and excess profits taxes, which are based on pre-war capital structures and earnings, leave the companies little opportunity to accumulate reserves for the period of drastic readjustment that must come at the end of the war. Tax and renegotiation policies should take this into account.

"In an appraisal of the future of this great industry, the astounding achievements of the two years since Pearl Harbor cannot be ignored. The production goals set by the President early in 1942 seemed extravagantly high; but they have been exceeded, new and higher goals set, and these in turn greatly surpassed by actual output. This has been done not at a time when skilled mechanics were abundant and readily available but, on the contrary, when it has been necessary to train workers, by the hundreds of thousands, who previously were totally unskilled in mechanical procedures. It is not too much to say that without these extraordinary accomplishments the war might have been lost by this time. Certainly the successes of our armed forces in the several theatres of war today are due in no small measure to the excellent quality and sufficient quantity of available airplanes.

"A generous share of the credit for the industry's brilliant war record must go to the aircraft engine builders for their remarkable technological improvements in the design and performance of motors and to the instrument and accessory companies for the development and improvement of the many amazing devices that have been so largely responsible for the superior performance of our aircraft.

"Such achievements have been made possible not only by almost incredible speed in the expansion of facilities and personnel but also by equally remarkable improvements in the technique of production. Management that has displayed the knowledge, ability, energy and skill to produce such results in wartime may be expected to find effective ways to solve the problems of the post-war period."

Senate Committee Approves Bill For Simplification Of Individual Income Tax

The bill to provide for the simplification of the individual income tax was informally approved on May 12 by the Senate Finance Committee, which on May 16 voted unanimous approval of the measure in formally reporting it on that day. Senator George, Chairman of the Committee, announced on May 16 that he would call up the bill in the Senate on Friday, May 19. Except for some technical amendments by the Senate Committee the bill is virtually in the form passed by the House on May 5; reference to the House action appeared in our issue of May 11, page 1941.

On May 12 advices to the New York "Times" from Washington stated that although the Committee had given considerable attention to a controversial provision affecting religious, educational and charitable contributions and others which would raise some individual taxes, Senator George stated that proposals to revise the bill did not come to a vote before approval was given to the legislation as it stood. The "Times" advices added:

Two other proposed amendments, he said, were ruled out of consideration after the Committee adopted a resolution to confine the bill strictly to simplification and to permit no basic changes in the Internal Revenue Code.

One of these, offered by Senator Robert A. Taft, Republican, of Ohio, was designed to amend present law so as to exempt from taxation pensions paid by employers regardless of whether their pension trusts were drawn upon a basis which made allowance for Federal old-age benefits. The 1942 Revenue Act has been interpreted by the Treasury to exclude from tax exemptions the payments of such employers.

The other proposed amendment put aside was that of Senator Pat McCarran, Democrat, of Nevada, to reduce the cabaret tax from 30% to 10%.

Senator George announced the appointment of a subcommittee to study the whole question of taxation as it affected pension trusts and to recommend changes to the Committee for inclusion in separate legislation. The subcommittee is composed of Senators Radcliffe of Maryland, Chairman; Bailey of North Carolina, and Byrd of Virginia, Democrats; Lafollette of Wisconsin, Progressive, and Taft and Thomas of Idaho, Republicans.

It was made known in press advices from Washington on May 16 that the Treasury Department has advised against any reduction at this time in the cabaret tax.

SEC May Define Trading "Vicinity" Of NY Curb

The Third U. S. Circuit Court of Appeals ruled on April 20 that the Securities and Exchange Commission had authority to define the trading "vicinity" of the New York Curb Exchange as it applied to a particular security, according to an Associated Press dispatch from Philadelphia on April 20, which also had the following to say about the ruling:

The National Association of Securities Dealers, Inc., had challenged the SEC's authority to define such a vicinity in connection with its grant of unlisted trading privileges to the 4% first mortgage bonds of the Kentucky Utilities Co.

The SEC denied the "vicinity" of the Curb on Kentucky 4s to be Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania and Ohio. The NASD contended that it should be limited to New York City, or to one hour's commuting distance of New York, or a territory enclosed by lines midway between New York and Philadelphia and New York and Boston.

In a unanimous opinion handed down by Judge John Biggs, Jr., the Court held that under the act of Congress, SEC has the power to define what constitutes the "vicinity" of the Curb on "sound reasoning," based upon trading activity and general distribution of a security, and with consideration for protection of the public.

S. J. Small, Jr., With Morgan & Company

LOS ANGELES, CALIF.—S. J. Small, Jr., has become associated with Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange, as manager of the investment department. Mr. Small was formerly vice-president of Bankamerica Company and manager of the Southern Division. Prior thereto he was an officer of Revel Miller & Co. He began his business career in 1922 with Merrill, Lynch & Co. in Chicago.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Transfer of Exchange membership of the late J. Thilman Hendrick to David S. Hendrick will be considered on May 25. Mr. Hendrick will continue as a partner in W. B. Hibbs & Co., New York City.

John J. Ahern, member of the Exchange, died on May 11.

Herbert T. McHenry With Salomon Bros. & Hutzler

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Herbert T. McHenry has become associated with Salomon Bros. & Hutzler, 231 South La Salle Street, Chicago, Ill., and will represent the firm here. Mr. McHenry in the past was manager of the municipal department for Banks, Huntley & Co., and prior thereto was with Gertler, Devlet & Co., and the Anglo-California National Bank of Los Angeles.

Calendar Of New Security Flotations

OFFERINGS

CITY OF EDMONTON (Dominion of Canada) has filed a registration statement for $9,150,000 serial debentures; dated May 15, 1944, carrying interest rates of 3%, 3¼%, 3½% and 3¾%. Proceeds will be used to redeem on Aug. 1, 1944, at par, $8,718,653 consolidated debentures dated Feb. 1, 1937, and to provide for certain costs of financing. The city will also redeem on Aug. 1, 1944, $4,919,702 additional consolidated debentures from funds presently held by the sinking fund trustees and other monies made available by the city. Filed May 1, 1944 details in "Chronicle," May 11, 1944. Offered May 16 by First Boston Corp., Harriman Ripley & Co., Inc., Smith, Barney & Co., Dominion Securities Corp., A. E. Ames & Co., Inc., Wood, Gundy & Co., Inc. and McLeod, Young, Weir, Inc. Priced to yield from 3.10% to 3.90% according to maturity.

FLINTKOTE COMPANY has filed a registration statement for 237,902 shares of common stock, no par value. Stockholders of record May 2 were given right to subscribe for shares at $15 per share at rate of one new share for each three shares held. Rights expired May 12. Net proceeds will be used for erection of additional plant facilities or for retirement and redemption of all or a part of $4.50 cumulative preferred stock or 3% debentures. Underwriters are Lehman Brothers, A. C. Allyn & Co., Inc., Bacon, Whipple & Co., Bear, Stearns & Co., A. G. Becker & Co., Inc., Alex. Brown & Sons, Dominick & Dominick, Graham, Parsons & Co., Granbery, Marache & Lord, Hallgarten & Co., Hemphill, Noyes & Co., Hornblower & Weeks, A. M. Kidder & Co., Ladenburg, Thalmann & Co., Laurence M. Marks & Co., Merrill Lynch, Pierce, Fenner & Beane, Paine, Webster, Jackson & Curtis, L. F. Rothschild & Co., Schoellkopf, Hutton & Pomeroy, Inc., I. M. Simon & Co., Stroud & Co., Inc., Swiss American Corp., Wertheim & Co., and White, Weld & Co. Details in "Chronicle," April 27, 1944. A total of 227,184 shares was subscribed for by stockholders, the balance, 10,718 shares was placed privately by the above underwriters.

HECHT CO. has filed a registration statement covering 191,515 shares of common stock (par $15). Shares are issued and outstanding. Goldman, Sachs & Co. are principal underwriters. Filed April 25, 1944. Details in "Chronicle," May 4. Offered May 16 at $21.75 per share by Goldman, Sachs & Co., Blyth & Co., Inc., Lehman Brothers and associates.

INDUSTRIAL RAYON CORP. has filed a registration statement for 100,000 shares of $4.50 preferred stock, series A (no par). Net proceeds will be applied together with any necessary treasury funds, to the retirement of $10,000,000 promissory notes to banks, dated Jan. 3, 1944, issued to retire $2,400,000 and to finance in part an expansion program. Filed April 28, 1944. Details in "Chronicle," May 4. Offered May 17, 1944 at $99 per share and dividends by Kuhn, Loeb & Co., Harriman Ripley & Co., Inc. and associates.

LIBBY, McNEILL & LIBBY has filed a registration statement for $7,500,000 serial debentures, due May 1, 1945-1959. Net proceeds from sale of debentures, with other funds of the company, are to be applied to the redemption on or before July 1, 1944, at 104 and interest to the date of redemption, of $8,172,000 first mortgage 15-year sinking fund 4% bonds, due Jan. 1, 1955. Filed May 4, 1944. Amendment filed gives interest rates ranging from 1% for 1945 maturities to 3% for 1959 maturities. Offered May 17 at 100 and interest for each maturity by Glore, Forgan & Co. and associates.

McQUAY - NORRIS MANUFACTURING CO. has filed a registration statement for 50,000 shares of common stock (par $10). The shares are issued and outstanding and do not represent new financing. Filed April 25, 1944. Details in "Chronicle," May 4. Offered May 15 at $16.50 per share by Shields & Co., Hornblower & Weeks and associates.

NEW JERSEY POWER & LIGHT CO. has filed a registration statement for $9,000,000 first mortgage bonds due March 1, 1974, and 30,000 shares of cumulative preferred stock (par $100). Proceeds from sale of bonds and stock, together with additional funds from treasury will be used to redeem on or about July 1, 1944, $9,000,000 4½% first mortgage bonds, due 1960, at 105 and 33,060 shares ($100 par) $6 preferred stock at 110. Details in "Chronicle," April 27, 1944.

Securities awarded May 15 to The First Boston Corp. and associates the bonds as 3s and the preferred shares as 4% series. Offered May 17 the bonds at 104⅝ and interest and the preferred stock at $101.50 per share.

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

THURSDAY, MAY 18

BEATRICE CREAMERY CO. has filed a registration statement for 100,433 shares of common stock ($25 par). Company is initially offering the shares for subscription to common stockholders. Holders of record May 19 will be given privilege to subscribe for one additional share for each four shares held to June 1, 1944. Proceeds, together with other treasury funds, will be used to redeem on Aug. 1, 1944 approximately 29,788 shares of company's outstanding $4.25 cumulative preferred stock at $105.50 per share. Glore, Forgan & Co., are principal underwriters. Filed April 29, 1944. Details in "Chronicle," May 4.

M. A. HANNA CO. has filed a registration statement for 100,000 shares of $4.25 cumulative preferred stock (no par). Company is offering to holders of outstanding 128,531 shares of $5 cumulative preferred stock the right to exchange such shares for shares of the $4.25 cumulative preferred stock to the extent of 95,238 shares on the basis of 1 and 1-20th shares of $4.25 preferred for each share of $5 preferred. Upon declaring the plan of exchange effective the company will call for redemption any of the shares of the $5 cumulative preferred which are not deposited for exchange. To provide a portion of the funds to effect such redemption the company may sell to underwriters shares of the $4.25 cumulative preferred as may not be issued pursuant to the exchange offer. Principal underwriters Kuhn, Loeb & Co. and Harriman Ripley & Co., Inc. Filed April 29, 1944. Details in "Chronicle," May 11, 1944.

MONDAY, MAY 22

DALLAS RAILWAY & TERMINAL COMPANY has filed a registration statement for $3,000,000 first mortgage serial bonds dated June 1, 1944 due each June 1 from 1945 to 1959, inclusive. Proceds from the sale of the bonds, together with such additional cash from its general funds as may be necessary, will be used to redeem $3,567,700 first mortgage gold bonds, 6% series due 1951, at 102 and interest. The bonds are to be offered for sale under the competitive bidding requirements of the Securities and Exchange Rule U-50. Names of underwriters, interest rate and price to the public will be supplied by amendment. Filed May 3, 1944. Details in "Chronicle," May 11, 1944.

DODGE MANUFACTURING CORP. has filed a registration statement for $1,000,000 15-year 4% sinking fund debentures due May 1, 1959. A portion of the proceeds will be used to repay a bank loan of $375,000 incurred in connection with the purchase on April 21, 1944, of the entire outstanding capital stock of Etching Co. of America, now a wholly-owned subsidiary. Of the balance a minimum of $500,000 will be used to repay, in part, bank loans and remainder will be added to working capital. Central Republic Co., Inc., Chicago, is named principal underwriter. Filed May 3, 1944. Details in "Chronicle," May 11, 1944.

SATURDAY, MAY 27

TRUSTEED FUNDS, INC., filed a registration statement for certificates for 1,042 Plan A and 1,042 Plan B and 250,000 theoretical units. The trust is known as Commonwealth Fund Indenture of Trust Plans A and B.

Address—89 Broad Street, Boston.

Underwriting—Trusteed Funds, Inc., is named sponsor.

Offering—Date of proposed public offering is effective date of the registration statement.

Proceeds—For investment.

Registration Statement No. 2-5369. Form C-1. (5-8-44).

TUESDAY, MAY 30

SYLVANIA ELECTRIC PRODUCTS, INC. has filed a registration statement for 150,526 shares of common stock, without par value.

Address—500 Fifth Avenue, New York City.

Business—Manufacture of electric incandescent lamps, radio tubes, and various electronic products.

Underwriting—Paine, Webber, Jackson & Curtis, 29,000 shares; White, Weld & Co., 12,200; Lee Higginson Corp., 12,200; Estabrook & Co., 8,000; Merrill Lynch, Pierce, Fenner & Beane, 8,000; Goldman, Sachs & Co., 6,000; Lehman Brothers, 6,000; Putnam & Co., 3,100; Graham, Parsons & Co., 2,400; Whiting, Weeks & Stubbs, Inc., 2,400; Brush, Slocumb & Co., 1,700; Yarnall & Co., 1,700; Minsch, Monell & Co., 1,700; Mackubin, Legg & Co., 1,300; Stein Bros. & Boyce, 1,300; Herbert W. Schaefer & Co., 1,000; Van Alstyne, Noel & Co., 1,000 and Wyeth & Co., 1,000.

Offering—Of the 150,526 shares registered, 100,000 shares are to be offered to the public by underwriters, and 50,526 shares to be issued to stockholders of Colonial Radio Corp. Offering price to the public will be supplied by amendment. The shares of common stock to be issued to stockholders of Colonial Radio Corp. in part payment for stock of Colonial will be issued pursuant to an agrement between Sylvania and stockholders of Colonial under which Sylvania is acquiring all of the outstanding 64,000 shares of Class A common stock, all of the outstanding 256,000 shares of Class B common stock and 41,603 shares (97% of the outstanding 42,715 shares) of Class C common stock of Colonial, at the price of $8.96 per share of each of said three classes. This results in a total purchase price of $3,239,962, which will be paid partly by the issuance of 50,526 shares of Sylvania common and the balance in cash from funds of the company.

Proceeds—Will be used as additional working capital.

Registration Statement No. 2-5370. Form S-1. (5-11-44).

BURRY BISCUIT CORPORATION has filed a registration statement for 200,000 shares of common stock, par value 12½ cents.

Address—925 Newark Avenue, Elizabeth, N. J.

Business—Manufactures and sells baked foods and food products.

Underwriting—Van Alstyne, Noel & Co. and Carlton M. Higbie Corporation are named representatives of the underwriters.

Offering—Price to the public will be supplied by amendment.

Proceeds—Proceeds will be used to augment working capital and for other corporate purposes.

Registration Statement No. 2-5371. Form S-1. (5-11-44).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

AMERICAN BAKERIES CO.—13,000 shrs. of class B stock (no par). The stock offered for sale is that of L. A. Cushman and Martha Bryan Allen Cushman as trustees of L. A. Cushman Trust. Names of underwriters and price to public by amendments. Filed March 29, 1944. Details in "Chronicle," April 6, 1944.

BEN-HUR PRODUCTS, INC. — $300,000 5% convertible debentures, series of 1943, due Feb. 1, 1951 and 11,400 prior preferred shares (for purpose of conversion). Proceeds to retire bank loans and working capital. Pacific Co. of Calif. and Wyeth & Co. named underwriters. Filed Dec. 20, 1943. Details in "Chronicle," March 9, 1944.

CARPENTER PAPER CO.—15,000 shares of common stock (par $1). Price to public $30 per share. 1,717 shares are being currently offered to a group of officers and employees at $21.50 per share under a separate registration and prospectus. Net proceeds ($446,000) are to be used for working capital. No underwriters named. Filed Mar. 30, 1944. Details in "Chronicle," April 6, 1944.

KANSAS - NEBRASKA NATURAL GAS CO., INC., has filed a registration statement for $1,500,000 first mortgage sinking fund bonds 4% series C, due April 1, 1959. Central Republic Co., Inc., Chicago, underwriter. Price 107 exclusive of accrued interest from April 1, 1944. Proceeds for construction purposes. Details in "Chronicle," April 27, 1944.

KANSAS - NEBRASKA NATURAL GAS CO., INC., has filed a registration statement for 2,000 shares of $5 cumulative preferred stock (no par) and 58,636 shares of common stock ($5 par). Holders of common stock of record May 12 are offered the right to purchase one share of common at $6.50 a share for each four shares held. Rights expire May 26, 1944. Unsubscribed shares will be taken up by the underwriters at $6.50 a share and offered to the public at $7 per share. Offering price of the preferred to the public is $105 a share. Proceeds from sale of stock will be used to defray costs of construction expenditures. Underwriters for stock are First Trust Co. of Lincoln, Neb.; Cruttenden & Co., Chicago; Beecroft, Cole & Co., Topeka; Harold E. Wood & Co., St. Paul; Rauscher, Pierce & Co., Dallas; United Trust Co. of Abilene, Kansas, and Frank & Belden, Inc., Minneapolis. Details in "Chronicle," April 27, 1944.

MISSISSIPPI VALLEY PUBLIC SERVICE CO. has registered 15,000 shares of 5% cumulative preferred stock ($100 par). Company is offering to holders of its outstanding 7% cumulative preferred stock, series A, and 6% cumulative preferred stock, series B, the privilege of exchanging their old stock for new preferred on a share for share basis, with a cash adjustment amounting to $7.83⅓ a share on the 7% stock and $2.66⅔ a share on the 6% preferred. The exchange offer will expire at noon on May 20. Underwriters are Milwaukee Co., 5,750 shares; Wisconsin Co., 4,750; Morris F. Fox & Co., 1,500; Loewi & Co., 1,500; Bingham, Sheldon & Co., 1,000 all of Milwaukee, and A. C. Tarras & Co., Winona, Minn., 500. Filed April 25, 1944. Details in "Chronicle," May 4.

NORTHERN INDIANA PUBLIC SERVICE CO. has filed a registration statement for 220,078 shares of 5% cumulative preferred stock, par $100 per share. Company plans to issue the 220,078 shares of 5% preferred stock to effect the retirement by exchange or redemption of an equal number of shares of its 7%, 6% and 5½% preferred stock, the exchange to be on a share for share basis plus a cash payment to be filed by amendment. Stone & Webster and Blodget, Inc., and Harriman Ripley & Co., Inc., New York, are principal underwriters Details in "Chronicle" April 27, 1944.

Exemption from competitive bidding rule denied by SEC in opinion issued May 5, 1944. Company on May 12 filed an amendment with the SEC proposing invitation of competitive bidding on the stock under rule U-50.

PLOMB TOOL CO.—$600,000 10-year 5% convertible debentures due Jan. 1, 1954. Proceeds will be used to redeem first mortgage bonds, reimbursement of company for funds used to redeem preferred shares and reduction in V-loan. Price to public and names of underwriters by amendments. Filed Mar. 29, 1944. Details in "Chronicle," April 6, 1944.

PUBLIC SERVICE CO. OF OKLA.—$1,500,000 5% cumulative preferred stock (par $100) and $6,600,000 first mortgage bonds, series A 3½% due Feb. 1, 1971. Stock is for exchange of $6 preferred of Southwestern Light & Power Co. (subsidiary) on share for share basis. Bonds will be offered for sale at competitive bidding. Registration effective Jan. 10, 1944. Filed Dec. 21, 1943. Details in "Chronicle," March 16, 1944.

SPRAGUE-WARNER-KENNEY CORP. — 15,000 shares of 6% cumulative preferred stock (par $100). Proceeds will be used for the acquisition of a maximum of 8,649 shares of Western Grocer Co. 7% preferred in exchange of shares and $575,000 will be applied to retirement of 5,750 shares of 6% cumulative preferred of Sprague at $100 per share. Company also plans to issue $3,250,000 face amount of installment promissory notes and use proceeds as additional working capital. A. C. Allyn & Co., Inc., underwriter. Filed March 16, 1944. Details in "Chronicle," March 23, 1944.

STERLING ENGINE CO. has filed a registration statement for 304,075 shares of common stock, of which 23,225 are being issued by the company through underwriters and 180,850 shares by three present stockholders. Offering price to public on 204.075 shares is $3.75 per share. An additional 100,000 shares is reserved against the exercise of warrants to purchase 100,000 shares of common, at $4.50 per share, prior to three years from and after the effective date of registration statement. Proceeds for working capital. Burr & Co., New York are principal underwriters. Filed April 24, 1944. Details in "Chronicle," May 4.

VIRGINIA ELECTRIC & POWER CO.—An amended plan for merger of Virginia Electric & Power Co. and Virginia Public Service Co. filed with SEC April 17, 1944. Amended plan provides following changes from original plan: (1) $23,000,000 of 3% bonds of Vepco will be sold instead of $24,500,000 of 3½% bonds; (2) $9,000,000 of 2¼% 10-year serial notes will be issued instead of $5,000,000 2¼% 5-year serial notes; (3) each share of Vps preference will receive one share of new Vepco $5 dividend preference stock plus, for the 7% Vps preference, $24.50 in cash and for 6% Vps preference $19 in cash (plus accrued dividends in both cases); Vepco will restrict dividend payments on common to an extent which will leave in surplus $11,020,000 over a period of 10 years as compared with original proposal of $6,000,000 over a period of five years. Original plan filed Feb. 28, 1944, details of which were outlined in "Chronicle," March 16, 1944. Bids for purchase of bonds will be received by company at office of Engineers Public Service Co., 90 Broad St., New York, before 12 noon EWT on May 22.

VERTIENTES-CAMAGUEY SUGAR CO OF CUBA.—696,702 shares of common stock ($6.50 par), U. S. currency. Of shrs registered, 443,850 are outstanding and owned by the National City Bank, N. Y. Several underwriters have agreed to purchase $1,663,500 of first mortgage (collateral) 5% convertible bonds of company due Oct. 1, 1951, owned by National City Bank, N. Y. Underwriters propose to convert these bonds at or prior to closing and the 252,852 shares of common stock which are received by the underwriters on such conversion, together with the 443,850 shrs previously mentioned, will make up the total stock to be offered. Harriman Ripley & Co., Inc., N. Y., principal underwriter Filed Mar 29, 1944. Details in "Chronicle," April 6, 1944.

WEST PENN POWER CO. has filed a registration statement for $12,500,000 first mortgage bonds, series L, 3% due May 1, 1974. Price to the public will be filed by amendment. Bonds are to be sold pursuant to the competitive bidding requirements of the SEC's Rule U-50. Net proceeds, together with such additional funds as may be required, are to be used for the redemption of the outstanding $12,500,000 first mortgage gold bonds, series E, 5% on Sept 1, 1944, at 105 and accrued interest. Filed April 28, 1944. Details in "Chronicle," May 11, 1944.

Bids for purchase of the bonds will be received by company at room 901, 50 Broad St., New York 4, N. Y. up to 12 noon EWT on May 23.

Situations Interesting In Conn. Companies

Chas. W. Scranton & Co., 209 Church Street, New Haven, Conn., members of the New York Stock Exchange, have prepared memoranda on Acme Wire Co.; Veeder-Root, Inc.; Scovill Mfg. Co.; Arrow-Hart & Hegeman Electric Co.; Landers, Frary & Clark, and United Illuminating Co., Connecticut situations which appear attractive at current levels. Copies of these memoranda may be had from Chas. W. Scranton & Co. upon request.

Attractive Situations

Ward & Co., 120 Broadway, New York City, have prepared circulars on several situations which currently offer attractive possibilities, the firm believes. Copies of these circulars, on the following issues, may be had from Ward & Co. upon request.

Du Mont Laboratories "A"; Merchants Distilling; Crowell-Collier Publishing; P. R. Mallory; General Instrument; Long Bell Lumber Co.; Great American Industries; Mid-Continent Airlines; Massachusetts Power & Light $2 preferred; Majestic Radio; Magnavox Corp.; Brockway Motors; National Airlines; Chicago and Southern Airlines; American Export Airlines; Northeast Airlines.

Final Accounting Of Bank Of United States Approved By Court

A motion by Elliott V. Bell, Superintendent of Banks of the State of New York in charge of The Bank of United States in liquidation, for an order approving a final accounting of the bank's affairs, covering the period from Oct. 1, 1942, to April 30, 1944, and virtually ending the career of that institution, was consented to on May 12 by Supreme Court Justice John E. McGeehan, according to the New York "Times" of May 13, in which it was further stated:

The papers disclose that on Dec. 11, 1930, Joseph A. Broderick, then State Superintendent of Banks, took over the Bank of United States main office at 535 Fifth Avenue and its 59 branches throughout the city, with 413,000 depositors accounts.

The accounting discloses that $161,300,000 was realized from the bank's assets and that $159,600,000 had been distributed thus far among depositors and creditors and that there remains on hand $1,520,000.

The inventory discloses that with the payment of the ninth and final dividend of 1⅛% the depositors will have received 76⅛% of their money. The final dividend calls for the distribution of $1,475,000.

The papers show that 45% of the depositors have failed to receive one or more of the dividends set aside for them.

The order authorizes Mr. Bell to take the necessary steps to wind up the affairs of the bank. It permits him to dispose of unclaimed personal property and to destroy stocks and bonds he is unable to sell or redeem, together with such books, records, documents and correspondence now in his possession.

Lauds Adv. Mediums Combating Inflation

Advertising has played an "exceptionally forceful" role in the home-front battle against inflation, President Roosevelt is quoted as saying in a letter released May 1 by the War Advertising Council, it was reported by the New York "Times" of that date, which stated:

"The President said that in the year elapsed since he signed the 'hold the line order' the cost-of-living index has declined.

"Praising efforts already contributed by the council, the President said that 'it will be necessary for us in the coming months to redouble our efforts to prevent the evils of inflation.'

"The Council is currently conducting an educational program to acquaint the people with what they can do as individuals to keep prices down. This program is carried in advertising space donated by more than 480 magazines with a circulation of 92,000,000 and is supplemented by a similar effort sponsored by life insurance companies in newspapers and farm journals with a circulation of 30,000,000, as well as other advertising mediums, including billboards and radio."

Pollak Mfg. Interesting

A new revised analysis of Pollak Manufacturing, based on 1943 operations, has been prepared by Raymond & Co., 148 State Street, Boston, Mass. Copies of this interesting study may be had upon request from Raymond & Co.

Ins. Stocks Compared

Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange, have prepared an interesting comparison and analysis of insurance stocks. Copies of these data may be had from the firm upon request.

"Our Reporter On Governments"

By JOHN T. CHIPPENDALE, Jr.

(Mr. Chippendale has been kind enough to act as guest writer this week. As is true of other contributors, the opinions expressed by Mr. Chippendale are his own and do not necessarily reflect the views of the Chronicle.—Editor.)

The Government bond market ended another week with fluctuations practically non-existent, and undoubtedly it will continue in this vein until the conclusion of the Fifth War Loan. . . . Some "rounding out" purchases and sales were made by the banks with other institutional investors on the sidelines, waiting for the new bond drive, which gets under way early next month. . . .

While the commercial banks will participate to only a limited extent in the coming financing, they will nevertheless be important factors, as they have been in the other War Loans, even if only in an indirect way. . . . Sales of outstanding Governments by individuals, corporations and other institutions to the commercial banks, in order to allow the former to subscribe to the new government securities, is where the banks play an important part in these drives. . . . While the Fifth War Loan, as were the others, will be directed primarily at selling Government bonds to individuals and institutions other than the commercial banks, the latter will be indirectly important factors in that they will supply some of the funds to be used by individuals and institutions to purchase the new Government securities. . . . To the extent that the commercial banks are buyers of the presently outstanding Government obligations sold by ultimate investors, there will be an increase in deposits. . . . However, this deposit increase will not be as substantial as would be evidenced if the commercial banks were allowed to participate directly in these drives. . . . Likewise, the banks are able to obtain desirable maturities of Government securities and, at the same time, lend support to the market for outstanding Government obligations. . . .

POST-WAR INTEREST RATES

Money-market conditions will not undergo any material changes during the war. . . . There is however a good possibility that the volume of deposits may increase at a slower rate in 1944 than in 1943. . . . Partly is this due to the fact that a serious effort is being made to finance the deficit of the Government through the sale of obligations to ultimate investors other than commercial banks, and partly because it is possible that the Federal deficit may be smaller this year than last year. . . . Interest rates during the war are not likely to undergo any changes. . . . The pattern of war financing has been set and the Government will continue to offer securities ranging from ⅜ of 1% on Treasury bills to 2½% on long-term obligations. . . . The real problems will arise when hostilities cease, and the most important of these appears to be the future trend of interest rates. . . .

(1) The trend of interest rates must be predicated upon the assumption that commodity prices will not rise sharply, because if commodity prices increase sharply it will have a serious effect on interest rates. . . . Likewise any prediction of interest rates beyond five years appears to be unwise. . . . However, with these two assumptions, one can get a fairly accurate idea about the trend of interest rates by studying the needs of the Treasury, which exercise a powerful influence on the credit policies of the monetary authorities. . . . At the end of the war, the Government probably will have a debt of between $250 and $300 billion; with a debt service of between $5 and $6 billion per annum. . . . Likewise, the Government will be confronted with high expenditures for national defense and returning veterans. . . . This would seem to indicate Federal expenditures of between $15 and $20 billions annually. . . . Accordingly, it seems as though it will not be to the interest of the Treasury to convert outstanding maturing obligations into others bearing a higher rate of interest. . . .

(2) The powers of the monetary authorities over the money market are so great and have been exercised for so long a time that an abrupt ending of them, to allow interest rates to seek their own levels regardless of what administration may be in power, is not indicated in the immediate post-war period. . . . The available powers of the authorities to inject demand either directly or indirectly into the market are:

POWERS OF THE PRESIDENT

He may instruct the Secretary of the Treasury to issue $3 billions of Government securities to the Federal Reserve Banks. . . . This law—the Thomas amendment—also permits the Treasury to issue up to $3 billions of greenbacks, United States Notes, for the purpose of retiring or purchasing Government obligations. . . .

POWERS OF THE TREASURY

(a) To disburse funds equivalent to the $1,800,000,000 held in the Stabilization Fund
(b) To desterilize the free gold held in the general fund
(c) To issue additional silver certificates against the inactive silver holdings
(d) To buy silver until a 3-to-1 ratio to gold is reached, and to issue silver certificates against these purchases
(e) To shift its balances from commercial banks to the Federal Reserve Banks, and to manage War Loan Account

POWERS OF THE FEDERAL RESERVE SYSTEM

(a) To lower Reserve requirements against deposits
(b) To carry out open market operations through the purchase and sale of U. S. Government securities and acceptances
(c) To purchase Government securities directly from the Treasury in an amount not in excess of $5 billions
(d) To specify the portion of member-banks' assets which may consist of security loans and the margin of collateral on such loans
(e) To discount bills, acceptances and U. S. Government securities held by its members

There appears to be little doubt but that the powers available to the monetary authorities are sufficient to maintain money rates at whatever point is desired by the Government as long as the level of interest rates is one of our major economic considerations. . . . In the immediate post-war period, the monetary authorities will have to consider first the needs of the Treasury and the effect which its credit policies might have on the Government obligations and on the positions of the banks. . . . Therefore, it is reasonable to assume that less use will be made of quantative credit controls and that the monetary authorities will endeavor to influence the flow of credit and capital through qualitative controls. . . . This implies an effort to regulate the flow of credit into channels which are considered desirable and beneficial to the economy as a whole. . . .

(3) At the end of the war, the volume of deposits will be substantial and will continue to increase. . . . The return flow of currency from circulation will further broaden the credit base of the country. . . . If commodity prices remain at approximately their present level, then the supply of bank deposits will be more than sufficient to meet all the needs of industry and trade. . . The floating debt of the Government at the end of hostilities will be substantial, and its conversion into longer term obligations will take a considerable period of time. . . . The refunding into longer maturities will be more difficult since a large portion of the bills and certificates will be held by the banks and the latter will not be able to convert all or a large proportion of their short-term Government obligations into medium or long-term Government bonds. . . . The entire liquidity of the banks and of the money market in general today and in the immediate post-war period will rest to a large extent on short-term Government obligations.

Taking all these aforementioned factors into consideration and again bearing in mind the previously mentioned assumptions, no material change in interest rates is to be expected in the immediate post-war period.

Carl L. Barnes With Nelson Douglass Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Carl L. Barnes, member of the Los Angeles Stock Exchange, has become associated with Nelson Douglass & Co., 510 South Spring Street. Mr. Barnes was formerly an officer of Wyeth & Co., and prior thereto was a partner in Mason Bros., and in Barnes, MacDonald & Co.

C. F. Anderson Joins Gross, Van Court Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Clarence F. Anderson has become associated with Gross, Van Court & Co., 639 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Anderson was previously with O'Melveny-Wagenseller & Durst, and prior thereto was manager of the trading department of Searl-Merrick Co. and Banks Huntley & Co.

M. Ibers Will Manage Pledger Trading Dept.

LOS ANGELES, CALIF. — Pledger & Co., 639 South Spring St., members of the Los Angeles Stock Exchange, announce the association with them of M. C. Ibers Jr. as manager of the trading department. Mr. Ibers's association with the firm was previously reported in the "Financial Chronicle" of May 11.

Available On Request

Schenley Distillers Corporation have prepared an attractive booklet containing the first articles in the series they have been running in the "Financial Chronicle." Copies of this booklet may be had upon request by writing to Mark Merit, in care of Schenley Distillers Corporation, 350 Fifth Avenue, New York 1, N. Y.

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Final Edition ESTABLISHED OVER 100 YEARS In 2 Sections—Section 2

The Commercial and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 159 Number 4282 New York, N. Y., Thursday, May 18, 1944 Price 60 Cents a Copy

Support Congressman Dewey's $500,000,000 International Reconstruction Bill

Prof. James Washington Bell Of Northwestern University Sees Better International Financial Co-Operation When Entered Into Country By Country, And Maintains That "The Chief Creditor Should Have Dominant Control Over Loan Transactions It Makes."

Dr. James Washington Bell, Professor of Economics at Northwestern University and Secretary of the American Economic Association on April 28 submitted a statement to the House Committee on Foreign Affairs supporting the resolution of Representative Charles S. Dewey (H. J. Res. 226), to provide a fund of $500,000,000 to be applied to international reconstruction. The text of Dr. Bell's statement relating to the general provisions and the purposes of the fund follows:

J. W. Bell

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J. Spencer Smith, President Of Board Of Commerce And Navigation, New Jersey, Contends That "Expert's Plan" Is Not Practical Since "Any Group Made Up Of Representatives Of Different Nations" Could Not Make Satisfactory Plans.

Appearing recently before the House Committee on Foreign Affairs, J. Spencer Smith, President of the Board of Commerce and Navigation of the State of New Jersey and President of the Tenafly Trust Co. of Tenafly, N. J., submitted a statement in support of House Joint Resolution 226, introduced by Congressman Charles S. Dewey, Republican Congressman from Illinois. The resolution provides for the creation of an international reconstruction fund of $500,000,000 to be used independently or on joint account with foreign nations, and governed by a board of directors consisting in part of representatives of various federal government departments and organizations, Mr. Smith's statement was as follows:

J. Spencer Smith

It is my firm conviction that such assistance as we may be able to render or can give in rehabilitating countries that may request our help should be within the framework set forth in House Joint Resolution 226. By doing so we avoid the necessity of consulting other nations or entering into all-inclusive agreements with them. If other creditor nations, such as Canada, wish to associate themselves with us, they can do so. My experiences in public life cause me to look with disfavor on anything that savors of a treaty or agreement between sovereign states that concerns itself with an operating function that is not static in its nature.

I have had the privilege of serving on a body charged with preparing a treaty for adoption between New York and New Jersey. I have been a member on interstate commissions. I know the interpretations that can be placed upon agreements that are contrary to what was intended. I know how politics can influence the interpretation. I know from experience, when a change in personnel takes place, the difficulties that arise in carrying out the pur-

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From Washington Ahead Of The News

By CARLISLE BARGERON

If we can go by the headlines, the country has been quite startled recently by the strike of foremen in the Detroit automobile plants. The country, as we understand it, was startled several months ago when it developed that the foremen were organizing just as the ordinary workers these recent years. It is doubtful if the people were either startled then or were startled by the recent strike, because it is just a little difficult to imagine the American people startled any more.

Certainly it would have been a sensation in any ordinary man's times to see Alben Barkley getting up in the Senate one day and saying the President had insulted the Congress of the United States and then a few days later, saying he was nevertheless for that very same President for re-election, not on the admitted grounds that he was the best insulter of Congress we have ever had, but on the grounds that it is truly amazing how well he knows the map of the world. It is a fact, of course, that the American people, with their sons out there fighting, know more about the map of the world, have learned of more new places, than they had ever known before. The question comes up, from Barkley's reasoning, as to why Mrs. Zilk who has been studying the global map as her son moved all over it, should not be President.

But what we were talking about was those foremen out in Detroit. They bring up the question of whether the headlines are not oversimplifying things these days. In the case of the recent strike of the Detroit foremen, the military officials really put them on the spot. They moved in and pointedly said they could not understand how these gentlemen were doing as they did right when our armed forces were poised for the world's greatest known military thrust. And the editors came right along and said that this was some really plain talk on the part of the military leaders and undoubtedly the foremen would feel very shamefaced.

Let's go back and find out what was wrong with the foremen. The thing began in the Ford plant. All of their lives these men had been taught they were executives, part of the management of the plant. They had so conducted themselves.

Of a sudden in 1941, Sidney Hillman under the auspices of the New Deal pulled a coup. It had been said that Ford would close up his plant before he would ever sign a contract with the union. But Hillman and the New Deal, playing him against General Motors, brought him to capitulating.

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GENERAL CONTENTS

The Financial Situation

It was Paul-Louis Courier who exclaimed: "May God protect us from the devil and from metaphors." It was Frederic Bastiat who about a century ago remarked that it would be difficult to say which has done the more mischief in this world of ours. Bastiat was, of course, concerned primarily with the manner in which economic sophistry won mastery over man. The improper use of metaphor was only one such device. He doubtless would be interested today to observe the technique of giving economic sophisms respectable, even popular, standing by characterizing them as "modern," of the "twentieth century," "streamlined," or some other equivalent term, or, if the purpose is better served, by labeling that which is undesired as characteristic of the "horse-and-buggy" age, outmoded, discredited, or as belonging to an age that is dead and buried, or an economy which no longer exists on this planet—if indeed it ever did.

Modern Sophisms

It is indeed unfortunate that Bastiat no longer lives to add further chapters to his Sophismes Economiques. He has, however, long since passed to his reward, and it is incumbent upon us to recognize the economic sophisms of the day—which, incidentally, are not by any means wholly different from those of Bastiat's time—and to reject them before they work the inevitable and grave injury which must be expected if they are not dealt with promptly and effectively. The list of present-day economic sophisms is long. One of the most persistent of them, and one which since it takes many forms is heard almost every day is to the effect that any practice, custom, theory, idea or policy which was commonly in vogue and generally accepted as in accord with sound sense prior to 1929, or at all events

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General Outlook

Roger W. Babson Sees No Change Until Germany Collapses

BABSON PARK, MASS.—The country east of the Mississippi will feel first the retarding effects of the German defeat. This will start a demobilization of troops and the cancellation of billions of war contracts. The War will then be over except for parents who have boys in the Pacific. Attention will be focused on Japan. Business in the West and the Southwest States will not be seriously affected until Japan caves in. The interval between the fall of Germany and the fall of Japan may be a good breathing spell. It will give our country a chance to settle down gradually to a peacetime basis.

Roger W. Babson

Postwar Probabilities

I am not worrying much about inflation now. We have had it for the past forty years. This may be illustrated by the fact that I went to work for a bank in 1898 for $6 per week. At that time carpenters were getting $2.50 a day. When Mrs. Babson and I were married in 1900 we rented a nice single house for $22 per month. It may be taken for granted that any bank would now pay even an inexperienced boy more than $16 per week; while the same house rents for $60 per month. After a few months of readjustment, we should have two or three years of exceptionally good business After that, sometime in the early years of the 1950's, I expect a severe depression. Regardless of the political party then in power we may have a "Super" New Deal. Then will be the time to fear inflation of a radical kind.

Investments

I am bearish on most high-grade bonds, especially "tax-exempts". The best buy for small investors, however, should still be found in Series "E" Government Bonds. My own funds are being invested largely in merchandising stocks, especially good chain store stocks. In the post-war period, the railroads will be the hardest hit of all industries because they will face so many different kinds of competition. Insurance companies should do well if they are treated fairly by the government.

Politics

Churchill will not let Germany crack until after the November Elections. If the European War so continues, there will then be a Republican Congress and a Democrat as President. Hence, there is

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Ergo--More Control!

"It is believed by many that inflation and deflation can be prevented by monetary action. The fact that the Federal Reserve System has the power, through changes in the discount rate, through open market operations, and through modifications in reserve requirements, to make money dearer and scarcer in a boom, and cheaper and more abundant in a depression has been taken as an indication that monetary authorities are able, by their actions alone, to maintain economic stability. This is a greatly magnified view of the influence of monetary action on the course of economic life. . . .

"Economic stability depends on a complex of forces and policies, of which credit policy is only one. In order to be effective in bringing about stability the regulation of the availability and cost of money must be integrated with a flexible fiscal policy and at critical times reinforced by direct controls over prices, wages and supplies. . . .

"An important consideration at this time is that, while monetary policy can not by itself prevent inflation, inflationary conditions are certain to result in heavy upward pressure on money rates. When the buying power of money is declining holders of money prefer to exchange it for commodities, equities, or real estate, rather than to invest it at fixed rate of return, and others are willing to pay high rates for money to be used in speculation and speculative ventures. Consequently, money rates are always extremely high during an inflation. This is an additional reason why, in view of the enormous growth of our public debt, it will be vitally important to keep direct controls in effect after the war is ended, and thus to hold the line on economic stability."—Board of Governors of the Federal Reserve System.

Is there **anything** which the Washington authorities can not employ as an argument for more control of business and the citizen?

The State Of Trade

Termination of war contracts has become a real problem for industry in recent months and with the successful conclusion of the present conflict the many problems inherent in such an undertaking will assume serious proportions with the sharp decline in production for war. On May 4, last, the Senate approved a war contracts termination bill bearing the designation S. 1718, sponsored by Senator Walter F. George of Georgia and Senator James E. Murray of Montana. Business and government evinced a favorable interest in the bill, while labor was inclined to accept it with reservations. That is to say, with the proviso that features be added to cover the period of reconversion in which human as well as property rights would be protected through the medium of nationalized unemployment insurance, severance pay and proper consideration of defense workers whose services would be terminated by industry.

The transition from war to a peace-time economy will impose many problems, and it is in the interest of all that appropriate steps be taken to lessen the impact of such a change at the earliest moment. The passage, however, of such a measure before Congress recesses for the summer appears rather dubious.

Turning to activity in the heavy industries the past week, electric production again recorded slightly lower levels, but was higher than in the same period a year ago. The same condition held for scheduled output of steel ingots and castings, carloadings of revenue freight and bituminous coal output. Paper production, on the other hand, increased and retail trade in most sections of the country gave evidence of fair expansion.

In the field of electric production, results reveal that output of electricity declined to approximately 4,233,756,000 kwh. in the week ended May 6, from 4,336,247,000 kwh. in the preceding week, as reported by the Edison Electric Institute. The latest figures represent a gain of 8.5% over one year ago, when output reached 3,903,723,000 kwh. Consolidated Edison Co. of New York reports system output of 182,600,000 in the week ended May 7, and compares with 173,600,000 kwh. for the corresponding week of 1943, or an increase of 5.2%.

Steel shows evidences of further tightening, notwithstanding a slight let-up in buying which is expected to be followed by large-scale orders to meet expanded war programs, says "Steel" magazine in its market summary the present week. Heavy tonnages will be required for a new and heavy landing craft program along with the building of 2,300 merchant ships which will engage shipbuilding activities for some time, the magazine reports. As to delivery dates, little change is occurring at the moment though generally they are so extended that early delivery on urgent products requires directives. With respect to plate requirements the summary adds, that they "are being advanced on mill schedules wherever possible, to get tonnage out before the heated term when production is expected to diminish. Some increase is noted in demand for structural shapes for construction and with this added to the heavy demand for shipbuilding assemblies deliveries are being extended. A factor in this situation is diversion of raw steel from structural shapes to billets for heavy shell work." Reporting on the supply of pig iron and scrap, the magazine had the following to say, "Raw material supply for steelmaking is comfortable, both pig iron and scrap being sufficient for current needs. No buying of the former for third quarter has been done. Recent tightness in basic iron has been relieved by blast furnaces shifting from foundry grades, without reducing supply of the latter below requirements. Scrap supply is generally sufficient for the present high steel producing rate.

As for the rate of steel production, the American Iron and Steel Institute places scheduled output for the week beginning May 15, at 99.2% of rated capacity, equivalent to 1,777,000 tons of steel ingots and castings, a decline from recent new highs established in the United States. Scheduled output for the current week compares with operations at the rate of 99.4%, and output of 1,780,500 tons a week ago. For the week beginning May 15, last year, steel output totaled 1,707,400 tons, and the rate was 98.6% of capacity.

Equipment purchases by the railroads are increasing and the need for additional rolling stock is not surprising when consideration is given to the tremendous task of transportation that has fallen to the lot of the roads. During April 3,819 cars were purchased raising the total for the four months' period to 23,089 units. This is the largest total for that period since 1941, when placements totaled 43,386 and was only slightly larger than the 22,183 placed in this period in 1942. In the 1943 period only 11,650 were awarded. New York Central lead the industry as largest buyer, having placed 5,000 freight cars this year along with 300 passenger cars.

With respect to freight carried by the railroads carloadings of revenue freight for the week ended May 6, totaled 836,978 cars, the Association of American Railroads announced. This was a decrease of 14,879 cars, or 1.8% below the preceding week this year, and an increase of 20,440 cars, or 2.5% above the corresponding week of 1943. However, in a comparison with a similar period in 1942, a decrease of 2,308 cars, or 0.3%, is shown.

In a forecast of bituminous coal production, R. E. Howe, President of Appalachian Coals, Inc., which organization includes 39 producers, predicted that about 150,000,000 tons would be produced in the second quarter of this year, with the demand at 146,600,000 tons, 5.7% more than in the 1943 period.

Bituminous coal output for the week ended May 6, reflected a decline of 230,000 net tons from the preceding week at 12,120,000 tons, and a rise of 2,190,000 from a year ago when production for the comparable week was 9,930,000 tons as reported by the National Coal Association. Output to date—Jan. 1, through May 5, 1944—aggregated 222,805,000 tons, as against 212,561,000 tons for a like period in 1943. The report of the Solid Fuels Administration placed production for the week ended April 29, at 12,360,000 net tons, against 12,250,000 tons in the preceding week.

If the forecast of the Department of Agriculture comes true the American people will have no need to fear an empty larder in the days ahead. Frequent rains over much of the country have resulted in a rather lush plant development and an improvement in the yield outlook in practically all States. Only in Montana, according to the reporting bureau, was there any material shortage of soil moisture. On the basis of conditions on May 1, the current forecast is for a winter wheat crop for the United States of 662,275,000 bushels, approximately 60,000,000 bushels more than suggested a month ago. The estimate compares with 529,606,000 bushels raised in 1943 and with 570,675,000 bushels, the 1933-42 average. Production in 1942 was 703,253,000 bushels. The indicated yield on May 1, is 16.2 bushels a harvested acre, compared with 15.6 bushels last year and an average of 15.0 bushels. Above average yields are indicated in all the important winter wheat producing States, except Nebraska and Colorado.

Paper output for the week ended May 6, was equal to 93.1% of capacity, against 90.9% in the preceding week and 90.6% for the week ended May 8, 1943, the American Paper & Pulp Association's index of mill activity disclosed. As for paperboard, production for the same period was reported at 98% of capacity, unchanged from preceding weeks.

Good weather again worked to the advantage of retail trade in New York last week with accessory and apparel departments busy. A brisk demand was especially noted in the customary items that attract Mother's Day buyers. According to the Federal Reserve Bank's index, sales in New York City for the weekly period to May 6, advanced by 13% over the same period of last year. For the four weeks ending May 6, sales rose by 2%, and for the year to May 6, they improved by 5%.

Seasonal merchandise helped by good weather in most sections of the country and luxury items for Mother's Day were instrumental in expanding the volume of retail trade the past week above the 1943 high level. Dun & Bradstreet reporting on retail sales, estimated their volume at 7 to 11% above the corresponding period of last year. The Southwest area was in the forefront last week with a rise of 15 to 19%. The increased business in the New England Region was rather negligible, ranging from 1 to 5%, while the East ranged from 6 to 10%; the Middlewest, 5 to 9%; Northwest, 3 to 6%; South, 12 to 16%, and the Pacific Coast, 10 to 14%.

Retarding factors in sales expansion, stated the trade review, were scarcities of cotton and rubber goods, hardware items, excise taxes, and price regulations. Of main floor and apparel departments, the review added, they continued to hold the lead in volume. A heavy demand was also noted for cotton dresses with a good sale of rayon sheer and light print dresses reflecting the scarcity of cotton dresses. Summer sports and play clothes enjoyed a good demand. There was likewise a marked interest in home furnishings, including paints, seeds and garden supplies, with moderate gains in furniture lines, draperies and beddings.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, moved upward by 8% for the week ended May 6, compared with the same week a year ago, while sales for the four weeks' period ended May 6, show no change over a similar period a year ago. For the year to May 6, however, an increase of 5% was noted over a like period in 1943.

Maryland Bankers To Hold 49th Convention

The 49th annual convention of the Maryland Bankers Association will be held in Baltimore, Md., on May 25 to 26. Post-war prospects, ration banking and the next war loan will be subjects to be discussed. F. Ross Myers, President of the State Bankers organization and Vice-President of the Fredericktown Savings Institution, Frederick, Md., will open the convention with his annual report. Guest speakers will be Dr. Marcus Nadler, Professor of Economics at New York University, and Alan E. Turner, General Manager, Burton-Bigelow Organization, management consultants of New York.

W. Randolph Burgess, Vice-President of the American Bankers Association, and Vice-Chairman of the Board of the National City Bank of New York, will address the second session. W. Bladen Lowndes, President of the Fidelity Trust Co. of Baltimore, and Chairman of the Maryland War Finance Committee, are also scheduled to address the meeting as well as J. Robert Sherwood, member of the Ration Banking Committee of the American Bankers Association.

R. McLean Reelected President Of AP

The reelection on April 25 of Robert McLean as President of the Associated Press occurred at the latter's annual meeting in York. Mr. McLean is publisher of the Philadelphia "Evening Bulletin." Frank B. Noyes, publisher of the Washington "Star," who was President of the Associated Press from 1900 to 1938, was continued as Honorary President.

The election of other officers by the board of directors of the Associated Press was indicated as follows in the New York "Times":

Houston Harte of the San Angelo (Tex.) "Standard" was chosen First Vice-President of the news-gathering agency and Norman Chandler of the Los Angeles "Times" was named Second Vice-President. Lloyd Stratton, Secretary; F. J. Starzel and Claude A. Jagger, Assistant Secretaries; L. F. Curtis, Treasurer, and Alan J. Gould, Assistant Treasurer, were reelected.

Kent Cooper was continued as Executive Director and General Manager of the Associated Press.

The reelection of six members of the Board and the election of one new member were announced yesterday morning at the second-day session of the annual meeting.

Five directors in the general classification whose terms expired this year were chosen to succeed themselves for three-year terms. Their names, with the number of votes each received, follow:

Robert McLean, Philadelphia "Evening Bulletin," 6,384; George F. Booth, Worcester (Mass.) "Telegram," 5,768; Frank B. Noyes, Washington "Star," 5,500; Paul Patterson, Baltimore "Sun," 5,328, and E. H. Butler, Buffalo "Evening News," 4,542.

Firms In Ireland Blacklisted By U. S.

The blacklisting by the United States of 38 Irish firms and individuals was made known by the State Department on May 6. In Washington Associated Press advices on that date it was stated:

"Never before has any Irish firm been blacklisted, although concerns in many other neutral countries in both this hemisphere and the European area has been put on the record which now totals approximately 15,000 names.

"The State Department declined to say why any individual firm was blacklisted or to describe the activities of any firm. Some of the 38 have Irish names which others were German - language names, apparently branches of German firms.

"The disclosure that Ireland was being listed apparently was the first step to implement the new policy announced Thursday (May 4) by Francis Russell, Chief of the Division of World Trade Intelligence, State Department, and Chairman of the Interdepartmental Committee which controls the black list.

"Mr. Russell announced that it would not be possible to lift blacklist sanctions as soon as the war ends.

"In the case of Ireland, there has been no complaint of trading with the enemy and the British and United States Governments have concentrated on trying first, to eradicate and, second, to control the activities of Axis diplomats whom they accused on spying on Allied preparations for the invasion of Europe.

"The United States asked Ireland, Feb. 21, to eject Axis authorities from the country, but it turned down the request. Shortly afterwards Britain cut off all shipping to Ireland and imposed other restrictions designed to prevent the flow of information from military areas of the United Kingdom into Eirie."

Harvard Economist Predicts Rise in Post-War Investment In New Plant Facilities

Charles Cortez Abbott, Associate Professor of Business Economics at the Harvard Business School, in a recent study on "Forces Influencing Business Enterprise After the Transition Period," published recently by the Division of Research of the Graduate School of Business, Harvard University, predicts that after the war there will be a very substantial demand for larger plant facilities and increased working capital by the bulk of American manufacturing industries, most of which have not expanded operations during the war period.

The author estimates that, if a satisfactory level of employment is to be achieved, something like 17% more jobs need to be furnished than in 1940. Such a level of employment probably requires a gross national product of $150 billion, compared with $93 billion in 1929 and about $88 billion in 1937 and 1939.

Will the condition of the fixed assets and the quantity of the current assets at the end of the war be adequate to produce this volume of output? The great bulk of the tremendous expansion in manufacturing facilities has taken place in a relatively few industries, and only a small portion of this new plant and equipment will be convertible to peacetime use. The majority of manufacturing concerns will emerge from the war period with their fixed assets inadequate for this purpose. There will be need of rehabilitation, expansion, and relocation.

Not only will funds for investment in fixed assets be required by business, but also additional working capital. In 1943 the government directly or indirectly supplied nearly half the assets used by industry for working capital purposes.

Two significant implications of this need for funds are: (1) A considerable portion of the financing should be in the form of equity financing or ownership. (2) Ownership therefore must be made more attractive than it has been recently.

Will the funds needed by business be available? Some of the forces influencing investment after the transition period will have sprung from prewar developments. Even before the war equity capital was not readily available, particularly for the moderate-size, manufacturers in need of a relatively small amount of equity funds. Furthermore, the number of persons to whom business management could look to perform the function of ownership was declining, not only proportionately but perhaps also absolutely. These trends may continue into the post-war period.

The greatest single change in the supply of capital during the prewar period was the rise of "institutional savings" as shown by the increase in the assets of life insurance companies, investment trusts, savings banks, and pensions and retirement funds. Businessmen who must raise capital will look with interest on the tremendous amounts of funds annually becoming available for investment by these institutions.

The increasingly great emphasis placed on depreciation in business practice was another outstanding development in the 20 years ending in 1943. The new importance attached to depreciation, entailing as it does new psychological attitudes and new considerations in the making of business decisions, will continue to have far-reaching social and economic consequences. Two further changes of far-reaching significance for businessmen are the tremendous decline both in the volume of commercial loans since World War I and in the loans on securities of commercial banks since 1930.

Some of the forces influencing investment will come also from developments in the general field of government: (1) the Federal regulation of securities, (2) the continuation of government lending agencies, (3) the need of the Treasury, in view of the tremendous post-war debt, to maintain low and stable interest rates, (4) the "fiscal policy," i.e., the suggestion that the Federal Government fit into a coordinated and consistent policy the whole range of its activities that influence investment and expenditures by consumers.

Furthermore, there will be many legacies from the war. Just what all of them will be is hard to forecast. But certainly taxation belongs at the top of the list. Although after the war the country will have to pay heavier taxes, measured in terms of dollars, Professor Abbott holds out the possibility that the burden can be less onerous than the present or perhaps even the prewar load. But in order to bring this about, businessmen must make every effort to see that the post-war national income remains close to present levels, and framers of public policy must devise a post-war tax structure that will stimulate enterprise and must administer it in such a way as to impose on the taxpayer a minimum of hardship in compliance.

The accumulation of liquid funds in the hands of individuals may prove to be the single most important legacy of the war in the field of finance. From the point of view of society, it would appear most desirable that these new accumulations of capital should be invested in business enterprise, particularly in the form of equity.

Professor Abbott stresses the importance of motives, especially the distaste of individuals for the risks and responsibilities of ownership and the tremendous desire on the part of business managers to be free of debt. The effect of these two conflicting attitudes is a bar to investment expansion and hence militates against the provision of jobs.

The report closes with a statement of the necessity that ownership be made more attractive:

> This matter, it seems clear, is one which is of vital and of equal importance to business management, to financiers, to labor, and to framers of public policy. Ownership is the heart of the investment problem. It is the center of the employment problem. It is the basis on which credit is extended. It is the foundation on which the whole scheme of things in the American economy rests. If ownership is unattractive to potential investors, if owners are weak and irresponsible, if ownership as a function falls into disrepute, if directors and executives of business concerns fail to fulfill their responsibilities to owners, credit inevitably contracts, investment expenditure automatically declines, and unemployment necessarily develops.

Abell Named Head Of N. J. Bankers Ass'n

Frank D. Abell, former New Jersey Senator, and President of the First National Bank of Morristown, N. J., was elected President of the New Jersey Bankers Association on May 13, succeeding Joseph G. Parr of Jersey City. Harrison M. Thomas, President of the Princeton Bank & Trust Co., of Princeton, N. J., was chosen to succeed Mr. Abell as Vice-President of the Association. The annual meeting of the Association was held at the Hotel Pennsylvania in New York.

Niebank Elected Pres. Of N. Y. Bankers Ass'n

The 51st annual election of officers held by the New York State Bankers Association, conducted by mail ballot, resulted on May 8 in the election of C. George Niebank, President of the Bank of Jamestown, Jamestown, to the Association's presidency. Mr. Niebank succeeds E. Chester Gersten, President of the Public National Bank & Trust Co. of New York City. Regarding Mr. Niebank's career, the Association says:

C. George Niebank

"The new President has been in the banking business since September, 1917, when he entered the employ of the Bank of New York as a messenger. He was employed as a note teller with the Niagara Falls Trust Co. from 1920 until 1923, when he entered the New York State Banking Department as examiner. In 1929 Mr. Niebank became executive Vice-President of the Livingston County Trust Co. of Geneseo, which was merged with the Genesee Valley National Bank in 1930. He then became Executive Vice-President of the Bank of Jamestown, and a year later he was elected President of that bank. He is a graduate of the Graduate School of Banking, at Rutgers University, and has served as Chairman of the Victory Fund committee of Chautauqua county and co-chairman of the War Finance committee."

Other officers of the New York State Bankers Association elected include Bernard E. Finucane, President, Security Trust Co. of Rochester, N. Y., Vice-President; and William J. Ahern, Assistant Vice-President, Bank of the Manhattan Company, Brooklyn, Treasurer.

The Association, whose membership of 789 icludes 705 of the State's commercial banks and trust companies, voted last January to adhere to the policy established in 1943 of abandoning annual conventions in order to conserve transportation facilities and manpower needed in the prosecution of the war.

In addition to electing regular officers, the member banks balloted for officers to represent the New York State banks in the American Bankers Association. The result of this ballot, also conducted through the mail, was the unanimous election of the following group of nominees:

"For member of the Executive Committee of the A.B.A. for term of three years—George W. Heiser, Vice - President, Manufacturers Trust Co., New York City.

"For member and alternate of nominating committee of A.B.A. for term of one year—member: Joseph A. Broderick, President, East River Savings Bank, New York City, and alternate: E. Chester Gersten, President, Public National Band & Trust Co., New York City.

"For state Vice-President of the Savings Division of the A.B.A. for term of one year—Robert A. Barnet, President, Irving Savings Bank, New York City.

"For State Vice-President of the National Bank Division of the A.B.A. for term of one year — Henry B. Kingman, Vice-President, Merchants National Bank, Dunkirk.

"For State Vice-President of the State Bank Division of the A.B.A. for term of one year—Theodore Rokahr, Vice - President and Treasurer, First Bank & Trust Co., Utica.

"For State Vice-President of the Trust Division of the A.B.A. for term of one year—Andrew Wilson, Jr., President, County Trust Company, White Plains."

Job Making Hinges on Capital Investment in Risk-Taking Ventures, Says First Nat'l of Boston

Urges Taxes In Post-War Period Be On Constructive Basis

"The key to job-making centers around the investment of capital in risk-taking ventures," says the First National Bank of Boston, in its "New England Letter" of April 29, which points out that "venture capital and jobs are closely related, since the number of persons that can be employed is dependent upon the expansion of production which, in turn, is determined by the amount of risk-money put to work. Consequently, labor should be equally concerned with management that our system of taxation should be an instrument to stimulate and not to destroy the functions of job-making."

"It should be obvious, therefore," says the bank, "that we must keep alive within the framework of our economy the sprit of initiative and ingenuity as well as provide incentives for the assumption of risk, for these are the pillars upon which our system has been built and without which it cannot survive. Every effort should be made to keep American industry in a strong and resourceful position by providing it with fresh capital—the life-blood of business—in order that it may be able to step into the breach when the emergency is over and provide work for the many millions that will be released from the services and war industries."

It is pointed out by the bank that "for every industrial worker there is an investment of about $6,000 in machinery, equipment, plant and the like. It is this high capital investment that accounts for the fact that the purchasing power of the American worker is far superior to any other in the world, and several times as great as it was in the pre-machine period of our history." In part the bank also says:

"The prime necessity of the post-war period will be to remove the obstacles that block the flow of capital into business enterprise and dispel clouds of uncertainty so that business may face the future with courage and faith, and thus be impelled to make long-term commitments which would furnish jobs instead of relief rolls being provided by the Government.

"Unsound taxes stop new ventures and put the brake on progress. Prior to the war, about one-third of the industrial workers were employed in industries that did not exist or were mere infants at the turn of the century. Practically all of these industries have been founded by research, and by means of research they have been able not only to meet changing conditions, but have greatly expanded their volume of business and profits. One of the nationally-known engineers has observed that: 'The prosperity of the public depends on the prosperity of its industries and the stability of that prosperity depends largely on research.' Hence, the importance of providing adequate incentives so that large and small enterprise will be induced to set aside funds for development activities.

"Over the years about two-thirds of the new capital has come from earnings ploughed back into business, and most of the remainder from individual savings. In the 1930's the flow of this money was sharply reduced largely because this job money was siphoned off into Governmental channels. During this period there was a penalizing of bigness and success through a system of extortionate, punitive, and discriminatory taxes, and a hodge podge of Governmental interference with economic laws. The more effectively a concern created income and jobs, the greater the penalty imposed in the form of taxes.

"'Soaking the rich' by extortionate taxes is like firing a shotgun into the crowd. It is a short-sighted policy as in the long run it jeopardizes all interests. Experience has indisputable shown that confiscatory taxation chills the spirit of private enterprise, discourages the accumulation of savings, and forces capital into hiding. In the final analysis, it is the worker who is the most severely penalized because industrial expansion is checked, repairs are neglected, and business stagnates. Carried to its logical conclusion, the system of confiscatory taxation destroys wealth and distributes poverty.

"After the estates of the wealthy have been leveled, the tendency is to extend the system of taxation down the line until no one escapes. Already an army of some 20-odd million white collared workers is groaning under the tax load. Should no relief be provided in the post-war period, then the middle class would be threatened with liquidation, and this would inevitably be accompanied by the abolishment of private enterprise and our democratic form of government. In other words, a destructive tax system is the most effective means of bringing about totalitarianism. We should heed the warning of Chief Justice Marshall, 'that the power to tax involves the power to destroy.'

"The dismal tax record of the 1930's should be a sharp warning against repeating the mistakes in the framing of post-war measures. While heavy taxes are necessary for financing the war, there must be a drastic overhauling of the tax structure in the post-war period. Double taxation of corporation earnings in the form of profits and dividends should be abolished as should also the capital gains tax, since it interferes with the flow of one investment to another. Excess profits taxes are a wartime measure and should be eliminated at the close of the emergency.

"The job maker plays the most constructive role in our economy. Upon his willingness and ability to take risks and assume responsibility for the mobilization of men, money, and materials depend the welfare of all. He should be rewarded commensurate with the risks involved and services rendered. He should be provided with a favorable climate in which to operate and not be harassed and harried at every turn, and his prerogatives so interfered with that he cannot perform his essential functions. He should be looked upon as a benefactor and not as a malefactor, as he was branded in the 1930's.

"As we shall enter upon the post-war period with a towering Federal debt and a budget at least six times that of the 1920's, it is imperative that taxes be on a sound and constructive basis, for it is only in this war that we can establish a dynamic and expansive economy and provide opportunities for the many millions that will be seeking jobs. A substantially lower and equitable tax structure, based upon what is best for job making, would be the most effective 'green light' for the flow of capital into business enterprise."

The Financial Situation

(Continued from first page)

prior to 1914, is ipso facto unsound and undesirable.

What was troubling Bastiat when he was writing about metaphors was that men were employing terms in economic argument borrowed from other fields where they had earned popular disfavor—and thus winning points which should not have been won. Thus, at a time when "invasion" of his country had long been a nightmare to most Frenchmen, current commentators insisted in speaking of "invasions" of goods in their arguments in favor of protectionism. Only those of very short memories will fail to recall the extent of the use that was being made in this country a year or two ago of the term "appeasement" to obtain ends which were in no way related to situations such as that obtaining at Munich. In a slightly different but fully as effective way, the terms "laissez faire," "classical economics," "individual initiative," "rugged individualism," and a number of others which the reader will probably easily recall, have for years been, and are today being, misused.

Laissez Faire

The crimes that have thus been committed in these names are legion. Almost anyone who wants to do almost anything about almost anything accuses those who oppose the action of being a disciple of laissez faire—and for many that is quite enough. The fact is, of course, that contrary to popular impression, the phenomena, and the policies of the late 19th and early 20th centuries against which complaints are made are not infrequently worthy of criticism, not because they were patented after the ideas of Adam Smith, but because, while they pretended to be something of the sort, they were as a matter of fact quite the contrary. To the initiated, to accuse the proponents of excessive protectionism, of monopolistic or semi-monopolistic control of branches of trade, or of many other related programs of being an exponent of "classical economics," is on its face ridiculous, but, unfortunately, it is for the most part not the matriculate, but the rank and file which are to be influenced by such arguments.

The Gold Standard

The gold standard is another shining example. Once a phenomenon or system which was a constant marvel and object of great respect and admiration even by most of the men in the street, it is today a term loaded with approbrium. It is the gold standard which obliges a nation to deflate merely because its neighbor refused to inflate; it is the gold standard which ruined the world in 1929; it is the gold standard which reactionaries throughout the world count upon to place them once again in power; to defend a given policy it is often necessary if occasion arises to make it clear that it is not the gold standard masquerading in disguise. To this point has the clever propaganda of the revolutionaries of the day brought the public mind. The inevitable and quite obvious result is that such vital subjects as the gold standard are no longer considered upon their merits, but are regarded as something to which is attached a certain stigma which will transfer itself to any individual who thinks of them except in scorn.

War Production Sophisms

But along the way we have picked up a number of other sophisms which are rapidly becoming a positive (rather than a negative) menace to the country. One of them has to do with the admirable, not to say unparalleled war production record. It is supposed to have proved that nothing but a better and "bolder" post-war management of our public affairs stands between us and an era of abundance never before known even to the American public whose plane of living is, of course, the highest in the world. No notice is taken of the fact that in war production, there is only one buyer; manufacturers do not have to assume the risk of producing for a "market;" no selling problems arise. No one who has cut his eye-teeth ever doubted that American industry could produce as it has done; and none whose judgment is worth a fig supposes for a moment that by the same token similar records can be made in peacetime.

Still another sophism of relatively recent origin involves use of what is known as "national income" as a measure of the economic welfare of the people. Nothing could be more absurd, of course, as the mere fact that now with civilian production down, and rationing of many things necessary, we find national income far above any other point ever reached. Economic welfare consists not only of an abundance of goods, but of an abundance of the right goods. The national income could be kept at war peaks after peace comes by raising bananas in Wisconsin, digging canals through the Rocky Mountains, and filling in vast stretches of the Atlantic Ocean. Who, even among the "queer" ones of the day, would, however, in such circumstances, assert that the nation was better off by the means.

It was William Graham Sumner who three or four decades ago called attention to the manner in which popular ideas become folkways and then crystallize into mores as binding upon most of us as the most drastic law. A process of this kind appears to be under way concerning a number of simple economic principles—and it is a dangerous one.

Chicago Home Loan Bank Reports On 1943

That one dollar out of every $6.19 which the Federal Home Loan Bank system disbursed in its 12 districts last year went into Illinois and Wisconsin savings and loan institutions through the Federal Home Loan Bank of Chicago was pointed out by A. R. Gardner, President of the Chicago district bank, at the annual stockholders' meeting on April 21. He said that 1943 was the most active lending year except one in the history of the Bank system and that the Chicago bank made the largest total volume of new advances of any of the 12. Showing the wartime character of the system's operations, however, Mr. Gardner indicated that likewise the largest volume of repayments on loans outstanding had come in the Chicago district. Repayments actually exceeded new advances as they did in two-thirds of the bank districts, and outstanding loans decreased more than $7,000,000 for the year in the Chicago bank, it was pointed out. The war years have brought a transition from long-term to short-term lending, Mr. Gardner emphasized, and as a result the average interest rate on loans outstanding is the lowest it has been at the close of any year since the bank started. The bank has put increasing amounts into Government bonds and at the close of last year had half its assets in them.

Turkey Civilian Mail Restrictions Eliminated

Postmaster Albert Goldman announces on May 11 that information has been received from the Post Office Department that, effective at once, all restrictions regarding overseas shipments by mail are removed, insofar as concerns mails for civilian addressees in Turkey. The advices add:

"The removal of these restrictions does not in any way affect the release certificates or licensing requirements of the Foreign Economic Administration (formerly the Office of Economic Warfare) nor does it affect the provisions whereby air-mail articles to certain destinations are limited to 2 ounces.

"Prospective mailers are urged to limit their shipments to essential requirements since an increase in the volume of mails exceeding the facilities available for their dispatch may result in a restoration of the restrictions. In connection with the foregoing information, parcel post service (except insured parcel post) is resumed to Turkey. However, the weight is limited to 22 pounds per parcel for any destination in Turkey in Europe or Turkey in Asia. The rates applicable may be obtained at post office service windows. The licensing requirements of the Foreign Economic Administration are applicable to parcel post for Turkey."

Slight Increase In Corporate Earnings Despite Larger Sales, Says Conference Board

Despite a 27% increase in net sales, 490 leading manufacturing and mining corporations had available for dividends in 1943 a net income only slightly greater than in 1942, according to a study by the National Industrial Conference Board May 12. The Board announcement also says:

"The net sales of these industrial corporations totaled more than $48 billion in 1943 against about $38 billion in 1942. But income before taxes and special reserves was only 12.3% greater and the gain in net income available for dividends was reduced to 4.4%. Dividends paid by some 470 of the companies totaled $1.3 billion in 1943, as compared with $1.2 billion the year before.

"Current assets of the companies at the end of 1943 were $20.4 billion, as against $17.8 billion a year earlier. But current liabilities rose from $7.9 billion to $9.4 billion, so that the current ratio at the end of 1943 was 2.2, or slightly less than the ratio of 2.3 at the end of 1942. In comparison, current assets at the end of 1939 were five and one-tenth times current liabilities.

"A 34% increase in sales was recorded by the 250 durable goods manufacturers included in the Board's tabulations. Among these companies, those in the aircraft industry showed the greatest gain and building materials concerns the smallest. The most substantial increase among nondurable goods companies occurred in the rubber manufacturing industry, in which there was a 58% gain in sales volume and an 89% gain in income before taxes and special reserves.

"For the full list of 490 industrials, net before taxes and special reserves fell from 16.9 cents for every dollar of sales in 1942 to 14.9 cents, and net after all charges from 5.2 cents to 4.2 cents. Tax reserves took 63 cents of each dollar of taxable income in 1943 and only 61 cents in 1942. The railroad industry set aside 81% of income for taxes, and automobile parts, aircraft, textiles and machinery companies made almost equally heavy provisions. In contrast, only 38% of income before taxes was set aside by the petroleum companies.

"The outstanding decline in taxable income last year, other than that among building equipment concerns, was the loss of 18% in the steel and iron industry, although its net sales were 15% greater than in 1942. The increased labor costs in this industry contributed considerably to the reduction of 7% in its net income after taxes, according to the Board."

Russo-Czech Agreement Signed In London

An agreement placing Czechoslovak territory under the supreme authority of the Soviet (Allied) military commander as it is liberated by Russian armies, with a Czech administration to take over when the area becomes no longer a fighting zone, was signed on May 8 in London, the Czech Government announced that day, it is learned from United Press London advices, which as given in the New York "Times," said:

"With Soviet troops already poised at the Czech frontier, the agreement became effective as Victor L. Lebedieff, Soviet Ambassador to the Czech Government here, and acting Czech Foreign Minister Dr. Hubert Ripka affixed their signatures. Details of the accord were announced simultaneously in Moscow with their release here.

"In a statement broadcast to Czechoslovakia from London Monday night, Dr. Ripka announced that the Czech Government had drafted the text of the accord, and that 'the Soviet Union has accepted our draft without alteration, and Great Britain and the United States have expressed their approval.' The broadcast was reported by the Office of War Information.

"The 9-point agreement provides that the Soviet (Allied) commander will possess supreme authority and responsibility in all matters essential to the conduct of the war in zones of operations for the period necessary to carry out those operations.

"In the interim, a Czech delegate to liberated territories will be charged with the threefold assignment of setting up a Czech administration, reconstituting the Czech armed forces and insuring cooperation with the Soviet (Allied) military command. To further abet this cooperation a Czech military mission will be set up at headquarters of the Soviet commander.

"Soviet troops remaining on Czech territory will be under the jurisdiction of their Commander in Chief but Czech troops and civilians will be under Czech jurisdiction. Even civilians committing penal offenses against Soviet armed forces will come under Czech jurisdiction outside the zone of actual war operations.

"A special agreement will be reached on the subject of financial matters connected with the entry of Soviet forces into Czechslovakia," the agreement said.

Hourly and Weekly Earnings Set New Peaks In March

Hourly and weekly earnings, as well as the "real" weekly earnings of workers in manufacturing rose to new peak levels in March, according to the regular monthly survey of 25 industries by the National Industrial Conference Board. The length of the work-week was longer than in any other month in recent years, but remained below levels existing prior to April, 1930, said the Board in its May 15 advices, which added:

"Employment in these industries, which has been showing a slight downward trend for several months, declined 1.8% in March, with the result that total man-hours worked and payrolls were likewise off. Wage rate increases were negligible.

"At $1.052, hourly wages were 0.4% higher than in February, 6.6% higher than in March, 1943 and 38.6% above January, 1941, the base date of the Little Steel formula. Weekly earnings rose to $48.36 on the average, which was 0.4% higher than in February, 9.2% above March a year ago. and 58.0% above January, 1941. 'Real' weekly earnings, or the quantity of goods and services that one week's pay would buy, were 0.3% above February, 8.3% above March, 1943, and 31.2% above January, 1941.

"A work-week of 45.8 hours was the rule in March, against 45.7 in the previous month. Since March, 1943, the work-week has increased 1.1 hours, or 2.5%. Man-hours worked were down 1.6% in March, which took them to a point below any other month's since April, 1943. Payrolls were down 1.4% in March, but remain higher than at any time prior to six months ago

"A decline of 4.3% in the meat-packing industry featured the month's changes in the employment situation, although declines of 1.0% or more were registered by hosiery and knit goods, iron and steel, paper products and rubber."

Legislation Proposed To Prevent 'Big Business' From Acquiring Government War Plants

Smaller War Plants Corp. Would Take Over Property For Resale To Small Business

Legislation which he said would prevent "big business" from gaining possession of most of the $15,500,000,000 worth of Government owned war plants when peace comes was proposed on May 12 by Senator Murray of Montana (Democrat), advices from Washington on that day (Associated Press) stated, from which we also quote:

The measure would authorize the Smaller War Plants Corporation, headed by Maury Maverick, to acquire plants, equipment and surplus war materials for resale or subletting to small businesses.

Offered by Murray with the backing of the Senate Small Business Committee of which he is Chairman, the bill also would:

1. Authorize the SWPC to insure loans by private banks to small businesses for reconversion purposes and to advance loans where private financing is unavailable. The corporation's capitalization would be boosted to $1,000,000,000 and its name changed to "Small Business Corporation."

2. Make available to small business the thousands of Government held patents, as well as technical and research assistance, in the reconversion period.

Mr. Murray said: "Big business has been steadily building a monopoly in the use and development of scientific knowledge. Without legislation it is entirely likely that the weight of the tremendous increase in the industrial and publicly financed power of the large business units will crush out our small business and thus endanger the continuation of our system of free enterprise."

The Senate War Contracts Subcommittee, also headed by Senator Murray, said it soon would introduce a bill to create an office of demobilization and prescribe general policies regarding surplus property disposal, contract termination, unemployment, compensation, and other post-war adjustments.

The Subcommittee said this would supplement the Contract Termination Bill passed by the Senate May 4 and now before the House.

From its Washington bureau the New York "Journal of Commerce" reported that primarily the bill of Senator Murray seeks to protect small business in the transition and post-war periods. The paper quoted indicated some of the principal provisions, from which the following is taken:

Principal provisions include:

1. The Chairman of the new corporation or his designee shall be a member of the War Mobilization Board, the WPB, the War Manpower Commission and, subject to authorization of the Director of War Mobilization, any committee or agency dealing with demobilization, reconversion and post-war planning affecting small business.

2. The Chairman is authorized to create small business advisory committees.

3. The corporation may purchase, lease or otherwise acquire Government-owned or controlled surpluses and dispose of them to small business concerns or groups of concerns according to such procedures as may be appropriate.

4. The corporation shall be represented on the Surplus War Properties Board.

5. The corporation may enter into contracts with private financial institutions to guarantee loans or make or participate in loans, none to exceed $50,000 except by vote of the directors of the corporation.

6. The corporation is empowered to license small business to benefit from inventions, discoveries, trademarks, patents, etc., which may be acquired by the corporation or any other Government agency. It may also make available to small business physical, chemical, engineering and other technological developments, services and facilities of Federal, State and local governments, educational and research institutions and foundations on terms and conditions which it may deem appropriate.

7. Capital stock of the corporation is increased to $1,000,000,000.

Veterans' Preference

8. The Department of Commerce is authorized to assist the corporation in all problems of reconversion.

9. War veterans are to receive preferences in connection with all benefits provided for small business under the Act.

Mail For War Prisoners And Civilian Internees

Postmaster Albert Goldman announced on May 8 that instructions have been issued by the Post Office Department, at Washington, relative to mail for Prisoners of War and Civilian Internees Outside of the United States which is subject to the following regulations:

Letters mailed by or addressed to "prisoners of war," which is held to include detained or interned civilians, are exempt from all postal charges and are acceptable for mailing even though the regular mail service to the country of destination may be suspended. The same is true of correspondence concerning prisoners of war mailed by or addressed to the Prisoners of War Information Offices which may be established in belligerent or neutral countries. Belligerents received and interned in a neutral country are assimilated to prisoners of war properly so called insofar as the application of the free postage provisions is concerned. Articles free from postage are not entitled to registration or air mail service. If available air mail service is desired, appropriate postage must be prepaid.

All prisoner-of-war communications are subject to censorship. The number of letters that may be sent to a prisoner of war is not limited. (The number of letters that a prisoner of war may write is determined by the Detaining Power.) Germany places no restrictions on the length of letters prisoners of war may receive, but short letters, typed or handprinted in block capitals, facilitate censorship; too many letters delay censorship. Japan requires letters to be not more than 24 words in the body of the letter, between the salutation and the closing, and to be type or handprinted in capital letters.

Letters may pertain to personal and family affairs only. Unmounted photographs and snapshots, the subject matter of which is personal and with an unrevealing background but with no writing thereon, and which fit into an ordinary envelope may be included.

Postmaster Goldman further announced (May 11), that information has been received from the Post Office Department, that there will be made available a special standard uniform and distinctive air-mail letter card, which is a combination letter and envelope for the exclusive use in sending letters by air-mail to prisoners-of-war and detained or interned civilians in enemy and enemy-occupied countries. At present the only through air-mail service available for prisoner-of-war mail is to prisoners in Europe. The postage rate applicable to these cards is six cents per half ounce or fraction. The card is constructed in such a way as to provide for folding into a uniform and distinctively marked unsealed envelope. Nothing may be enclosed with the message . . .

The cards bear form number "W.D., P.M.G. Form No. 111, April, 1944," and may be obtained without cost at the General Post Office and stations by patrons requesting them in sufficient quantity to meet but not to exceed their needs.

Child Labor In War Emergency Upheld By Federal Court

Judge Albert L. Reeves of the Federal District Court at Kansas City on May 1, held that war's emergencies excuse limited employment of minors in the Kansas City and Cincinnati plants of the Interstate Bakeries Corporation. Associated Press accounts from Kansas City on May 1 reporting this added:

"In a memorandum opinion he denied an injunction sought by the Children's Bureau of the Department of Labor under the Child Labor Law.

"The Government charged that 8 persons under 15 years of age were employed in the Kansas City plant and one in Cincinnati.

"'There is a war going on,' the Court said. 'The emergencies of the hour are paramount to strict observance of the Child Labor Law.'

"The object of the Child Labor Law, it declared, 'was to meet conditions where sordid greed thought to profit from the stunted and broken bodies of children.'

"'There was no such objective in this case,' it added."

Individual And Fiduciary Tax Returns For 1942

Secretary of the Treasury Morgenthau made public on April 28 statistics from the preliminary report, Statistics of Income for 1942, Part 1, compiled from individual income tax returns and taxable fiduciary income tax returns for 1942 filed in the period January through June, 1943, prepared under the direction of Commissioner of Internal Revenue Joseph D. Nunan, Jr.

According to the Department's advices the total number of individual and fiduciary returns for 1942 filed in the six-month period, is 35,972,551, of which 20,294,304 are individual returns, Form 1040; 15,598,994 are optional returns, Form 1040A, filed by individuals with gross income of $3,000 or less from specified sources only; and 79,253 are taxable fiduciary returns, Form 1041. As compared with the preliminary report of the previous year, there is an increase of more than ten million returns. Approximately 95% of the additional returns are taxable returns.

The Department also said: "The total net income reported in $80,022,727,938, an increase of 36.0%. The net income includes $25,530,609,391 gross income reported on the optional returns which do not provide for the amount of net income.

"There are 27,285,265 taxable returns showing net income of $68,187,727,298 and a tax liability of $9,046,258,607. The tax liability increased 132.4% as compared with last year. The average tax for taxable returns is $332 compared with $223 for 1941 and the effective tax rate is 13.3% compared with 8.5% for 1941.

"Of the 8,687,286 non-taxable returns, 8,519,616 show net income of $11,835,000,640 — non-taxable because exemptions and credits exceed net income; and 167,670 show a deficit of $144,257,704—returns on which deductions equal or exceed total income."

Maverick Offers 7-Point Program For Converting Small Business To Civilian Production Now

Asserting that small business should be permitted to resume civilian production while the war is in progress, if only on a limited scale, Maury Maverick, Chairman of the Smaller War Plants Corporation, advocated on May 9 the establishment of a metals reserve for small business to help accomplish this objective. This is learned from advices to the New York "Journal of Commerce" from its Washington bureau May 9, in which it was further stated:

Testifying at a hearing of the Senate Small Business Subcommittee, Mr. Maverick said that idle materials and facilities are steadily increasing and that unemployment is growing as the burden of cut-backs is tending to fail on subcontractors.

Mr. Maverick testified that he had reached these principal conclusions regarding small business:

1. Small business should be given every opportunity to convert to civilian production first.

2. SWPC should participate in drawing policies, rules and regulations governing production adjustments, reconversion and the transition period.

3. A metals reserve for small business should be established, to be administered in such a way as to prevent interference with war orders or additional demands upon specific areas of labor, types of components or shapes of materials which are in tight supply.

4. No system of waiting until all members of an industry are ready will work.

5. No quota system based on percentages of prewar business is advisable for big or little business.

6. New small businesses should not be discriminated against in favor of old established business, big or little.

7. In all instances where allotments of materials for civilian production are made, small business should receive large enough allotments to insure their profitable operation. This even if it means 100% or more of prewar business.

SWPC should be consulted in the consideration of allocation of cut-backs, Mr. Maverick said, the ultimate objective of the organization being "to see that a small business is not closed down if a part of a large plant can be cut back instead."

Any plan of allocation of cutbacks should also provide that when a big prime contractor is cut back, the labor of the prime contractor should be cut back at the same time, the SWPC head testified.

"We insist that the tendency to permit the burden of all cutbacks to fall on the small contractor must be curbed," Mr. Maverick said. "Military work should not be taken from the subcontractors unless absolutely necessary. And if it is taken from one of them, one of the plans already submitted for the resumption of nonmilitary production should go into effect at once."

Mr. Maverick testified that while he did not wish to set up another surplus disposal agency within SWPC, he did feel that the organization should have the right to acquire surplus property and dispose of it "in accordance with the best interests of small business."

Mr. Maverick made available on April 20, in pamphlet form, testimony by him before the Subcommittee on Military Affairs of the Senate on "Problems of War Contracts and Their Relation to Small Business," his remarks dealing with contract termination, surplus property, interim financing and related demobilization problems as they affect smaller concerns. At that time Mr. Maverick stated that "in my judgment, it is desirable to enact a contract termination and interim financing bill now. I think the country should have such a bill without delay. I urge the Congress to enact it now without waiting for a meeting of minds on all other questions such as disposal of surplus property, labor dislocations, readjustment financing and the like."

Wiggins Of ABA Says Banks Will Meet Post-War Credit Needs With New Facilities

"The chartered banking system is ready to answer the question, 'Can Private Enterprise Meet the Post-War Needs of This Country?' so far as credit is concerned," according to the President of the American Bankers Association, A. L. M. Wiggins, who in an address before the wartime conference of the Missouri Bankers Association at Kansas City, Mo., on May 16 declared that "far in advance of actual credit needs for conversion and post-war expansion, the banks of this country are setting up new and additional facilities that will mobilize the banking resources of the nation and make them available to the remotest community in the country."

"We recognize," said Mr. Wiggins, "that there will be new demands for credit in the post-war period, particularly for small business. Most of these," he said, "will be met by individual banks. There will be cases in which local banking resources particularly in the small communities may not be adequate for particular industrial or agricultural needs. Lines of credit may be required in excess of legal lending limits of local banks. Therefore, the banks of the country, determined that there shall be no dearth of credit to meet any legitimate need, are cooperating in a program to set up local and regional credit pools which will constitute a reservoir of supplemental credit to every one of the 15,000 banks throughout the country. No local loan will be too large for any small, local bank to service because the resources of these credit pools wherever located will be available wherever the credit is required."

Mr. Wiggins went on to say:

"These credit pools will be local or regional in management and operation. They will be flexible. The money will flow from where it is to where it is needed. The plan will multiply the usefulness and effectiveness of the correspondent bank system.

"Such a program under the sponsorship of the American Bankers Association is now under way. A Commission on Post-War Loans for Small Business has been set up under the Chairmanship of Robert M. Hanes, a former President of the ABA and President of a large bank in North Carolina. There will be 24 members of the Commission, two from every Federal Reserve district, one of whom will be a banker from a large institution and one from a smaller institution. State committees will be appointed. Funds are now being raised to finance the staff work of the Commission for a five year period. Banks, large and small, are joining in this cooperative enterprise that will multiply the credit facilities of the banks of the country in serving the post-war needs of small business. Thus will banking meet the needs of private enterprise in accepting opportunities for post-war development."

Criscuolo Urges Reorganization Of SEC

In his newsletter, entitled "The Rubicon," dated May 1, Luigi Criscuolo, financial statistician and writer, of 50 Broadway, New York, advocates that the Securities and Exchange Commission be made a party to all stockholders' suits, "so that it would have to send representatives to all court hearings" and "have some assurance that the SEC would have first-hand information of what was transpiring."

"So far as we can see," continues Criscuolo, "the only purpose which the SEC now serves is to provide an accumulation of voluminous documents of registration which cause much expense to the corporations and stockholders, waste a lot of good paper at a time when paper is so scarce, crowd the courts with litigation which could have otherwise been settled privately, and on the other hand provides much work for lawyers, engineers, accountants and printers, at high fees which corporations can ill afford these days. . . . In the old days, when a corporation got into trouble it was the banking firm that originally offered the securities to the public that came to the rescue. It formed a protective committee for the security-holders, usually hand-picked but in any case honest. The bankers underwrote the expense so that there was no necessity for 'strike suit' lawyers to get into the picture and make a racket of 'protection' to stockholders as they do now in many cases. After a period the company was reorganized or liquidated, as the circumstances necessitated. . . . But with the entrance of the SEC, the abuses have not been cured. Many a company could have been reorganized if it had been realized that people do not reorganize companies just for love. Many a company has been liquidated at 10 cents on the dollar rather than continue its agony. . . . State Senator Coudert and Assemblyman Mitchell, of New York, introduced bills into the New York State Legislature recently under which a stockholder cannot sue a corporation or its directors unless: (1) stockholders have been such for a period, and (2) they own 5% or more of the stock or (3) can deposit a bond of $50,000 to guarantee the court expenses and other legal expenses. The legislation was approved by corporate interests represented by the Chamber of Commerce of the State of New York which includes as members some corporate directors who are said to have been sued for malfeasance by minority stockholders. The legislators promptly forgot that any of the so-called 'strike suit' lawyers can always provide holders of 5% of the stock or a $50,000 bond, even if their suit be one calculated to bring a settlement out of court for a nice fat fee. But what about the honest but courageous stockholder who has a grievance? Does anyone want to deprive him of the right to sue merely because he only owns 10 shares? . . . This is the sort of legislation that is proposed in a State where there is much loud talk about democracy, the self-determination of peoples . . . of peoples abroad like the Hottentots, of course, . . . and not of real Americans. . . . One thing is certain, and that is if the New Deal wants to justify its existence in any way, it should reorganize the SEC, and the first thing the President should do is to appoint an absolutely lay commission, **no lawyers**, which will act solely to protect the Government and the public. The commissioners can appoint their own lawyers and be in a position to fire all or any of them the moment it is ascertained that they show any partiality for any former law firm friends who have cases before the Commission. Then we can have some hope that the savings of the investing public can be safeguarded, and not until then. . . . We hope that this article will bring forth a statement from the SEC or from the President who appointed the Commissioners. The public interest demands it, now, so that we shall know what we are voting for next November."

Outlines Plans For Fifth War Loan In N. Y.

The steps in prospect and the urgent requirement to distribute Fifth War Loan bonds as widely as possible, were explained on May 11 by Ted R. Gamble, national director of the War Finance Division, Treasury Department, who addressed the opening session of a two-day business meeting called by the National Association of Mutual Savings Banks at the Waldorf-Astoria Hotel.

Mr. Gamble said that expenditures for the war now had reached an unequalled peak and the financing of such expenditures must be kept within the bounds of national income as far as possible. Happily, he noted this income also is climbing to new heights, an estimated sum of $153 billions this year. Against this income he cited the necessity for the Treasury to borrow about $57 billions net and said that he was confident a large proportion of this great sum could be obtained from current income and the accrued assets of the American people. He thought that all financing agencies engaged in distributing War Savings Bonds had performed an outstanding job, but, the need in the Fifth War Loan will be greater than ever and he called upon mutual savings banks to exert their utmost efforts.

As an interesting sidelight, presented by Mr. Gamble, he stated that in the First War Loan 19 millions of securities had been distributed; in the Second Loan 32½ millions; in the Third, 52½ millions, and, finally, in the Fourth, 70 millions of individual securities were absorbed by 40 millions of the American people. He pronounced this a financing operation without equal in history, and said that it undoubtedly showed the way to reach a group of the people who perhaps had not done their utmost, numbering about 7 or 8 millions with comfortable incomes. He spoke in particular of the success achieved by mutual savings institutions and other savings agencies in the organization of payroll deduction plans for the purchase of War Savings Bonds. Generally speaking, Mr. Gamble took an encouraging view of organization plans already taking shape to make the Fifth War Loan a real victory loan. He said that the Treasury had pledges of support from every active group in the war financing campaign and looked forward to an early and complete success.

Named To Facilities Bureau

The appointment of John B. McTigue as Director of the Facilities Bureau and Vice-Chairman of the Facilities Committee of the War Production Board to succeed Roy W. Johnson was announced on May 2 by WPB Vice-Chairman Donald D. Davis. The announcement states:

"Mr. McTigue has been Deputy Director of the Facilities Bureau for the past nine months. He was previously Deputy Director of the Construction Division, WPB, whenn the headquarters of that division were located in New York City. Mr. McTigue is a graduate civil engineer and served in the last war as lieutenant in the Civil Engineers Corps, U. S. Navy. Upon resigning from the Navy he was associated with the firm of Voorhees, Gmelin & Walker, architects and engineers, of New York. He is a member of the advisory board of the Bank of the Manhattan Company of New York, and operated his own company in the building and real estate field.

"Mr. Johnson, who has served WPB for the past two years and as Director of the Facilities Bureau for the past ten months, has resigned to take an executive position with the Warren Telechron Clock Co., Ashland, Mass."

Announcement was made of two other Facilities Bureau appointments: Richard A. Kimball was named Deputy Director of the Facilities Bureau, and Robert A. Irwin, Acting Deputy Director for Tax Amortization. Both appointments are effective May 2. Mr. Kimball who has served WPB since January, 1942, in the Construction Division and as special assistant to the Director of the Facilities Bureau is a graduate architect and practiced architecture in New York City prior to the war. He is a member of the American Institute of Architects. Mr. Irwin, formerly practiced law in New York City.

Apr. Export Freight Up 49%

There were 148,256 cars of export freight, excluding coal and grain, handled through United States ports in April, compared with 99,596 cars in April, 1943, or an increase of 49%, the Association of American Railroads announced May 13. In March of this year 155,058 cars of export freight, excluding coal and grain, were handled through United States ports in April, compared States ports, compared with 100,294 cars in March, 1943, or an increase of 55%.

Export grain unloaded at the ports totaled 2,390 in April, 1944, compared with 3,041 in March, 1944, and 5,607 in April, 1943.

In addition, the railroads handled 728 carloads of coastal freight in April, 1944, compared with 452 in the same month in 1943, or an increase of 61%. In March, 1944, the roads handled 1,480 carloads compared with 521 in March of last year, or an increase of 184%.

The total of 151,374 cars of export and coastal freight, excluding coal, handled through the ports in April represented an average daily unloading of 5,046 cars. This was the second successive month in which the average unloadings have exceeded 5,000 cars per day, the record having been reached in March, 1944, when the daily average unloading was 5,148 cars.

All ports were in a completely "liquid" condition during the entire month of April, the announcement said.

Results Of Treasury Bill Offering

The Secretary of the Treasury announced on May 15 that the tenders for $1,200,000,000, or thereabouts, of 91-day Treasury bills to be dated May 18 and to mature Aug. 17, 1944, which were offered on May 12, were opened at the Federal Reserve Banks on May 15.

The details of this issue are as follows:

Total applied for, $2,169,935,000.

Total accepted, $1,206,012,000 (includes $59,099,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price 99.905 equivalent rate of discount approximately 0.375% per annum.

Range of accepted competitive bids:

High, 99.910, equivalent rate of discount approximately 0.356% per annum.

Low, 99.905, equivalent rate of discount approximately 0.376% per annum.

(48% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on May 18 in the amount of $1,012,743,000.

Wiggins, ABA Head, Says Banks Will Meet Post-War Credit Needs With New Facilities

"The chartered banking system is ready to answer the question 'Can Private Enterprise Meet the Post-War Needs of This Country' so far as credit is concerned. Far in advance of actual credit needs for conversion and post-war expansion, the banks of this country are setting up new and additional facilities that will mobilize the banking resources of the nation and make them available to the remotest community in the country." Such was the declaration of the president of the American Bankers Association, A. L. M. Wiggins, in an address before the wartime conference of the Missouri Bankers Association at the Muehlebach Hotel, Kansas City, Missouri, on May 16.

A. L. M. Wiggins

"We recognize that there will be new demands for credit in the post-war period, particularly for small business," continued Mr. Wiggins. "Most of these demands will be met by individual banks. There will be cases in which local banking resources particularly in the small communities may not be adequate for particular industrial or agricultural needs. Lines of credit may be required in excess of legal lending limits of local banks. Therefore, the banks of the country, determined that there shall be no dearth of credit to meet any legitimate need, are cooperating in a program to set up local and regional credit pools which will constitute a reservoir of supplemental credit to every one of the 15,000 banks throughout the country. No local loan will be too large for any small, local bank to service because the resources of these credit pools wherever located will be available wherever the credit is required.

"These credit pools will be local or regional in management and operation. They will be flexible. The money will flow from where it is to where it is needed. The plan will multiply the usefulness and effectiveness of the correspondent bank system.

"Such a program under the sponsorship of the American Bankers Association is now under way. A Commission on Post-War Loans for Small Business has been set up under the chairmanship of Robert M. Hanes, a former president of the A.B.A. and president of a large bank in North Carolina. There will be 24 members of the commission, two from every Federal Reserve district, one of whom will be a banker from a large institution and one from a smaller institution. State committees will be appointed. Funds are now being raised to finance the staff work of the commission for a five year period. Banks, large and small, are joining in this cooperative enterprise that will multiply the credit facilities of the banks of the country in serving the post-war needs of small business. Thus will banking meet the needs of private enterprise in accepting opportunities for post-war development."

Development By Latin-American Countries Of Industrialization Urged by Witherow

William P. Witherow, Chairman of the Executive Committee of the National Association of Manufacturers, suggested May 6 that if the 20 Latin-American countries developed their raw resources by industrialization, then they would make themselves "bigger and more powerful neighbors with whom to trade." The Pittsburgh, Pa., steel manufacturer, former NAM President, told the Permanent Council of American Associations of Commerce and Production that "it should be the sort of trade that is a two-way street." Mr. Witherow added:

"It will be good for us to export capital goods to equip those growing manufactures in Latin America, for we cannot use all the productive machinery which we are now geared up to make. And those Latin-American countries, during the years of our adjustment, will not want to make such capital goods, but to make consumer goods. That is the direction in which their industrialization today is chiefly concentrated."

Mr. Witherow spoke at the four-day Permanent Council conference, attended by 60 delegates from North, Central and South America, meeting in the Waldorf-Astoria Hotel to discuss postwar economic planning on a cooperative basis.

Inviting the nationals of Latin America "to get into manufacturing," Mr. Witherow said that this nation should recognize that the best customers are those "who, like ourselves, have developed industries. We may have a few years of hard sledding," he said, "but let's welcome now the expanding opportunity to export not only capital, but brains and know-how—that is, the capitalistic system itself."

With respect to industrialization in Latin America, Mr. Witherow cited the example in Brazil "of the first steel mill to be erected south of the equator." "It is financed jointly by the United States and Brazil, and it will utilize the vast iron ores of Brazil," he added. "Strange as it may appear, the successful operation of this mill is expected to increase rather than decrease the demand for American steel products." Continuing Mr. Witherow said:

"This mill will produce rails for the much-needed extension of the railways of South America. But the very production of these rails will create a demand for locomotives, cars, and wheels, and all of the varied hardware essential to operation of a railway.

"The supply of steel sheets and rods by this Brazilian mill will make possible the establishment of hundreds, if not thousands, of small factories. Each one of these factories will need machine tools . . . but that's only one part of the picture. Homes for the families of 15,000 workmen are being constructed near the mill site. These men, recruited from coffee and cotton plantations soon, for the first time in their lives, will be drawing wages in excess of bare living costs. Their wives will have money to spend for something beyond necessities."

Mr. Witherow said that most of the new industries of Latin America would, like the Brazilian steel mill, bring new wealth into the world by processing raw materials which have in the past been unused or neglected.

"For example, there have been a number of successful cotton mills established in Sao Paulo, the center of an important cotton growing area," he added. "If it were not for the mills, this cotton would be dumped on the world market in competition with that of our Southern cotton growers . . . much of it was formerly bought by Japan to feed her textile mills."

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table:

MOODY'S BOND PRICES†
(Based on Average Yields)

1944— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
May 16	119.48	112.00	118.40	116.80	111.81	101.80	105.69	113.89	116.61
15	119.48	112.00	118.40	116.80	111.81	101.80	105.69	113.89	116.61
13	119.48	111.81	118.40	116.80	111.62	101.80	105.52	113.89	116.80
12	119.48	112.00	118.60	116.80	111.81	101.64	105.52	113.89	116.80
11	119.51	111.81	118.60	116.61	111.81	101.64	105.69	113.70	117.00
10	119.51	111.81	118.40	116.61	111.81	101.64	105.69	113.70	116.80
9	119.58	111.81	118.60	116.61	111.62	101.80	105.69	113.70	116.61
8	119.52	111.81	118.40	116.80	111.62	101.64	105.52	113.70	116.61
6	119.48	111.81	119.40	116.80	111.62	101.47	105.52	113.70	116.41
5	119.48	111.81	118.40	116.61	111.62	101.47	105.52	113.70	116.41
4	119.48	111.81	118.40	116.61	111.62	101.47	105.52	113.70	116.41
3	119.51	111.62	118.20	116.61	111.62	101.47	105.34	113.70	116.22
2	119.47	111.62	118.20	116.61	111.62	101.47	105.34	113.70	116.22
1	119.34	111.62	118.40	116.41	111.62	101.31	105.34	113.70	116.41
Apr. 28	119.35	111.81	118.40	116.61	111.62	101.47	105.34	113.70	116.41
21	119.75	111.62	118.40	116.41	111.62	101.31	105.17	113.70	116.41
14	119.86	111.62	118.20	116.61	111.44	101.14	105.17	113.70	116.41
6	119.81	111.44	118.20	116.61	111.44	100.98	104.83	113.89	116.22
Mar. 31	119.68	111.44	118.20	116.41	111.25	100.81	104.66	113.70	116.22
24	119.86	111.44	118.20	116.61	111.44	100.81	104.66	113.89	116.41
17	120.14	111.44	118.20	116.61	111.25	100.65	104.66	113.70	116.41
10	120.26	111.44	118.20	116.41	111.25	100.81	104.48	113.70	116.41
3	120.44	111.25	118.20	116.61	111.25	100.49	104.31	113.70	116.41
Feb. 25	120.21	111.25	118.20	116.41	111.07	100.32	104.31	113.50	116.22
18	119.96	111.25	118.40	116.41	111.07	100.49	104.31	113.50	116.41
11	119.69	111.25	118.40	116.22	111.25	100.49	104.31	113.50	116.41
4	119.45	111.25	118.40	116.22	111.25	100.49	104.14	113.50	116.61
Jan. 28	119.47	111.07	118.20	116.22	111.07	100.16	104.14	113.31	116.41
21	119.58	111.25	118.40	116.41	111.07	100.16	104.31	113.31	116.41
14	119.57	111.25	118.60	116.41	111.25	99.84	104.14	113.50	116.41
7	119.69	111.07	118.60	116.41	111.07	99.36	103.80	113.50	116.22
High 1944	120.44	112.00	118.80	116.80	111.81	101.80	105.69	113.89	116.80
Low 1944	119.34	110.70	118.20	116.22	110.88	99.04	103.30	113.12	116.02
High 1943	120.87	111.44	119.41	117.00	111.81	99.36	103.47	114.27	117.40
Low 1943	116.85	107.44	116.80	113.89	108.88	92.35	97.16	111.81	114.46
1 Year Ago May 15, 1943	119.27	109.97	118.00	115.63	110.70	97.47	101.80	113.12	116.02
2 Years Ago May 16, 1942	117.88	106.56	116.02	113.12	107.44	92.06	96.54	110.88	113.70

MOODY'S BOND YIELD AVERAGES
(Based on Individual Closing Prices)

1944— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
May 16	1.85	3.06	2.73	2.81	3.07	3.64	3.41	2.96	2.82
15	1.85	3.06	2.73	2.81	3.07	3.64	3.41	2.96	2.82
13	1.85	3.07	2.73	2.81	3.08	3.64	3.42	2.96	2.81
12	1.85	3.06	2.72	2.81	3.07	3.65	3.42	2.96	2.81
11	1.85	3.07	2.72	2.82	3.07	3.65	3.41	2.97	2.80
10	1.85	3.07	2.73	2.82	3.07	3.65	3.41	2.97	2.81
9	1.84	3.07	2.72	2.82	3.08	3.64	3.41	2.97	2.82
8	1.85	3.07	2.73	2.81	3.08	3.65	3.42	2.97	2.82
6	1.85	3.07	2.73	2.81	3.08	3.66	3.42	2.97	2.83
5	1.85	3.07	2.73	2.82	3.08	3.66	3.42	2.97	2.83
4	1.85	3.07	2.73	2.82	3.08	3.66	3.42	2.97	2.83
3	1.85	3.08	2.74	2.82	3.08	3.66	3.43	2.97	2.84
2	1.85	3.08	2.74	2.82	3.08	3.66	3.43	2.97	2.84
1	1.86	3.08	2.73	2.83	3.08	3.67	3.43	2.97	2.83
Apr. 28	1.86	3.07	2.73	2.82	3.08	3.66	3.43	2.97	2.83
21	1.83	3.08	2.73	2.83	3.08	3.67	3.44	2.97	2.83
14	1.82	3.08	2.74	2.82	3.09	3.68	3.44	2.97	2.83
6	1.83	3.09	2.74	2.82	3.09	3.69	3.46	2.96	2.84
Mar. 31	1.83	3.09	2.74	2.83	3.10	3.70	3.47	2.97	2.84
24	1.82	3.09	2.74	2.82	3.09	3.70	3.47	2.96	2.83
17	1.80	3.09	2.74	2.82	3.10	3.71	3.47	2.97	2.83
10	1.81	3.09	2.74	2.83	3.10	3.70	3.48	2.97	2.83
3	1.80	3.10	2.74	2.82	3.10	3.72	3.49	2.97	2.83
Feb. 25	1.81	3.10	2.74	2.83	3.11	3.73	3.49	2.98	2.84
18	1.83	3.10	2.73	2.83	3.11	3.72	3.49	2.98	2.83
11	1.85	3.10	2.73	2.84	3.10	3.72	3.49	2.98	2.83
4	1.87	3.10	2.73	2.84	3.10	3.72	3.50	2.98	2.82
Jan. 28	1.87	3.11	2.74	2.84	3.11	3.74	3.50	2.99	2.83
21	1.86	3.10	2.73	2.83	3.11	3.74	3.49	2.99	2.83
14	1.86	3.10	2.72	2.83	3.10	3.76	3.50	2.98	2.83
7	1.85	3.11	2.72	2.83	3.11	3.79	3.52	2.98	2.84
High 1944	1.87	3.13	2.74	2.84	3.12	3.81	3.55	3.00	2.85
Low 1944	1.79	3.06	2.71	2.81	3.07	3.64	3.41	2.96	2.81
High 1943	2.08	3.31	2.81	2.96	3.23	4.25	3.93	3.07	2.93
Low 1943	1.79	3.09	2.68	2.80	3.07	3.79	3.54	2.94	2.78
1 Year Ago May 15, 1943	1.92	3.17	2.75	2.87	3.13	3.91	3.64	3.00	2.85
2 Years Ago May 16, 1942	1.98	3.36	2.85	3.00	3.31	4.27	3.97	3.12	2.97

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

†The latest complete list of bonds used in computing these indexes was published in the issue of Jan. 14, 1943, page 202.

Individual Buying Power At All-Time High

Attention to the following facts pertinent to the Government's economic stabilization program was called on May 10 by the Office of War Information.

"After two years of war, during which incomes of Americans underwent a greater increase than did their taxes, living expenses and investments combined, the buying power of individuals in this country in the highly fluid form of cash and checking accounts, had reached an all-time high of some $33,000,000,000, not counting funds belonging to business enterprises, according to the Federal Reserve Board.

"Statistics of the Department of Commerce and the Securities and Exchange Commission indicate that net income of individuals (including unincorporated business) in the United States, after taxes and expenditures for goods and services, during 1943 exceeded individual investments in United States bonds and other forms of savings by $10,500,000,000. This, however, was $1,000,000,000 less than the excess of $11,500,000,000 in 1942.

"For the last quarter of 1943, the excess over savings of available individual income, after taxes and expenditures, was $3,200,000,000, as compared with $4,000,000,000 for the last quarter of 1942."

The summary follows:

1—Income, Expenditures and Taxes of Individuals:

	Fourth Quarter 1942	1943	Full Year 1942	1943
	(In billions of dollars)			
Total income payments	33.6	38.4	116.6	142.3
Personal taxes (Federal, state and local)	1.3	5.6	6.6	18.3
Income after taxes (disposable income)	32.3	32.8	110.0	124.0
Spent on goods and services	23.1	25.2	82.0	91.0
*Income over taxes and spending	9.2	7.6	28.0	33.0
2—Savings and Investments:				
Net purchases U. S. Bonds	3.3	2.0	9.9	13.8
Additions to private insurance and pension reserves	.7	.8	2.4	3.1
Savings deposits	.7	1.4	.9	4.5
Other savings (excluding currency and checking accounts)	.5	.2	3.3	1.1
†Total savings and investments	5.2	4.4	16.5	22.5
3—Excess—Additions to Cash in People's Pockets and Individual Checking Accounts:				
*Income over taxes and spending	9.2	7.6	28.0	33.0
†Total savings and investments	5.2	4.4	16.5	22.5
Excess	4.0	3.2	11.5	10.5

Electric Output For Week Ended May 13, 1944 Shows 6.8% Gain Over Same Week Last Year

The Edison Electric Institute, in its current weekly report, estimated that the production of electricity by the electric light and power industry of the United States for the week ended May 13, 1944, was approximately 4,238,375,000 kwh., compared with 3,969,161,000 kwh. in the corresponding week a year ago, an increase of 6.8%. The output for the week ended May 6, 1944, was 8.5% in excess of the similar period of 1943.

PERCENTAGE INCREASE OVER PREVIOUS YEAR

Major Geographical Divisions—	Week Ended May 13	May 6	Apr. 29	Apr. 22
New England	0.7	1.8	4.3	3.3
Middle Atlantic	4.0	6.0	12.9	7.9
Central Industrial	5.5	6.1	9.5	8.0
West Central	4.4	6.1	6.1	6.0
Southern States	7.4	10.4	11.7	10.3
Rocky Mountain	*9.4	*5.0	2.2	5.1
Pacific Coast	19.8	20.9	25.3	27.0
Total United States	6.8	8.5	12.1	10.7

*Decrease under similar week in 1943.

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Week Ended—	1944	1943	% Change over 1943	1942	1932	1929
Feb. 5	4,524,134	3,960,242	+14.2	3,474,638	1,578,817	1,726,161
Feb. 12	4,532,730	3,939,708	+15.1	3,421,639	1,545,459	1,718,304
Feb. 19	4,511,562	3,948,749	+14.3	3,423,589	1,512,158	1,699,250
Feb. 26	4,444,939	3,892,796	+14.2	3,409,907	1,519,679	1,706,719
March 4	4,464,686	3,946,630	+13.1	3,392,121	1,538,452	1,702,570
March 11	4,425,630	3,944,679	+12.2	3,357,444	1,537,747	1,687,229
March 18	4,400,246	3,946,836	+11.5	3,357,032	1,514,553	1,683,262
March 25	4,409,159	3,928,170	+12.2	3,345,502	1,480,208	1,679,589
April 1	4,408,703	3,889,858	+13.3	3,348,608	1,465,076	1,633,291
April 8	4,361,094	3,882,467	+12.3	3,320,858	1,480,738	1,696,543
April 15	4,307,498	3,916,794	+10.0	3,307,700	1,469,810	1,709,331
April 22	4,344,188	3,925,175	+10.7	3,273,190	1,454,505	1,699,822
April 29	4,336,247	3,866,721	+12.1	3,304,602	1,429,032	1,688,434
May 6	4,233,756	3,903,723	+ 8.5	3,365,208	1,436,928	1,698,942
May 13	4,238,375	3,969,161	+ 6.8	3,356,921	1,435,731	1,704,426
May 20	------	3,992,250		3,379,985	1,425,151	1,705,460
May 27	------	3,990,040		3,322,651	1,381,452	1,615,085

Steel Operations Again Slightly Lower—Order Volume Shows No Sign Of Decline

"With attention centered on the shell program, backlogs increasing, plate cut-backs less than had been planned, order volume showing no signs of decline, the steel industry this week finds itself close to a period of tightness never before reached," the "Iron Age" says in its issue of today (May 18), further adding in part: "Requirements for the third quarter will tax the complete facilities of the industry. There is no chance, however, that urgent war needs which are to support invasion activity will be behind schedule.

"Some mills will start third-quarter production schedules about the middle of July because of carry-overs. Since the new critical programs will undoubtedly be placed on a directive basis, it may be that other duly certified controlled materials plan order booked for delivery in June, July, August and September will be delayed for from two to six weeks. It also may be that the broad range of steel items will continue to carry deliveries extended somewhat into the future.

"Order volume in the past week was expanding in most steel centers and again in most cases exceeded shipments. Orders for sheets were heavier, and some sheet deliveries are running into the fourth quarter and into the first quarter of 1945. Bar orders are beginning to expand, especially the larger sizes, because of the shell program, and this situation will change rapidly towards further extension in deliveries by July. Obviously, order volume is heavier in the three major centers where the shell program is to be concentrated.

"Aggravating the sheet and strip market recently has been heavy demands from the farm implement makers for fourth-quarter delivery. The Navy is said to have recently cancelled some hot-rolled barrel stock but has frozen the tonnage so that other consumers cannot take advantage of the openings in schedules. It is pointed out that the shell steel for the recent programs is only beginning to get on mill order books, but that within the next month or so the full effects of these requirements will become felt.

"Lend-Lease semi-finished steel needs for the third quarter are said to be exceptionally heavy and will further add to the primary mill bottleneck later in the year. One headache for the steel industry is the fact that the amount of steel to be required for the big gun program has not been definitely set. No tonnage estimates have been given so that this need will be an unknown quantity which will further complicate the distribution picture."

The American Iron and Steel Institute on May 15 announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 99.2% of capacity for the week beginning May 15, compared with 99.4% one week ago, 99.5% one month ago and 98.6% one year ago. The operating rate for the week beginning May 15 is equivalent to 1,777,000 tons of steel ingots and castings, compared to 1,780,500 tons one week ago, 1,782,300 tons one month ago, and 1,707,400 tons one year ago.

"Steel" of Cleveland, in its summary of the iron and steel markets, on May 15 stated in part as follows: "Steel in general exhibits signs of further tightening, in spite of a slight lull in buying which is expected to be followed by an outpouring of orders for expanded war programs.

"Among projects which will require heavy tonnages are a new and heavy landing craft program and further shipbuilding, involving 2,300 merchant ships. The latter will stimulate shipbuilding activities for some time. Container tonnage is heavy and covers considerable time and railroad buying is increasing, including substantial tonnages for fourth quarter maintenance and repair. Little change in delivery dates is taking place at the moment though generally they are so extended that nearby delivery on most needed products requires directives.

"Plate requirements are being advanced on mill schedules wherever possible, to get tonnage out before the heated term when production is expected to diminish. Some increase is noted in demand for structural shapes for construction and with this added to the heavy demand for shipbuilding assemblies deliveries are being extended. A factor in this situation is diversion of raw steel from structural shapes to billets for heavy shell work.

"Railroad buiyng of rolling stock is increasing, placing of 3,819 cars in April bringing the total for four months to 23,089 units. This is the largest total for that period since 1941 when placements were 43,386 and was only slightly larger than the 22,183 placed in this period in 1942. In the 1943 period only 11,650 were awarded. New York Central is the largest buyer, having placed 5,000 freight cars this year, as well as 300 passenger cars.

"Raw material supply for steelmaking is comfortable, both pig iron and scrap being sufficient for current needs. No buying of the former for third quarter has been done. Recent tightness in basic iron has been relieved by blast furnaces shifting from foundry grades, without reducing supply of the latter below requirements. Scrap supply is generally sufficient for the present high steel production rate in spite of labor shortage for preparing. Consumers are discriminating in acceptance and much resistance is encountered in placing tonnage carrying high freight rates from remote origins."

California Bankers To Hold Wartime Conf.

The California Bankers Association will hold a wartime conference in Pasadena on May 24-25, according to an announcement by Lauder W. Hodges, Executive Manager of the Association.

The Los Angeles "Times" of May 6 stated that at the invitation of A. C. Hughes, President of the Monterey County Trust & Savings Bank and President of the Association, A. L. M. Wiggins, President of the American Bankers' Association, will deliver one of the principal addresses.

Speakers will also include Ben C. Corlett, State Superintendent of Banks; Wayne L. Morse, former member of the National Labor Relations Board and Dean of the School of Law, University of Oregon; C. B. Hutchison, Dean of the College of Agriculture, University of California; Henry A. Theis, President of the Trust Division, American Bankers Association; Alexander R. Heron, Director of the California State Reconstruction and Re-employment Commission, and R. D. Hebb, former public relations officer of Swift & Co.

Moody's Daily Commodity Index

Tuesday, May 9, 1944	249.7
Wednesday, May 10	249.7
Thursday, May 11	249.7
Friday, May 12	249.5
Saturday, May 13	249.5
Monday, May 15	249.6
Tuesday, May 16	250.0
Two weeks ago, May 2	249.5
Month ago, April 15	249.7
Year ago, May 15	244.2
1943 High, April 1	249.8
Low, Jan. 2	240.2
1944 High, March 17	251.5
Low, Jan. 5	247.0

President Names J. V. Forrestal As Secretary Of Navy Succeeding Knox

Under Secretary of the Navy, James V. Forrestal, was nominated on May 10 by President Roosevelt to the post of Secretary of the Navy, succeeding Frank Knox, whose death on April 28 was noted in our issue of May 4, page 1842. Since the death of Mr. Knox, Mr. Forrestal had been Acting Secretary; he had served with the late Secretary in the Navy Department for four years.

On May 15 the Senate Nava Affairs Committee acted unanimously in recommending Senate confirmation of Mr. Forrestal's nomination and afterwards accorded him an ovation when he appeared before the Committee in response to a special invitation. Applause greeted Mr. Forrestal's appearance and the entire committee arose in a special tribute, said the Associated Press, which added:

"The committee acted on his nomination to succeed the late Frank Knox, a few minutes before his arrival, thus reversing the usual procedure under which a nominee appears to answer any questions prior to committee action."

In Associated Press Washington advices it was noted that Mr. Knox was a Republican; Mr. Forrestal is a Democrat. Mr. Knox starting work as a newspaper reporter, was active in journalism and public affairs throughout his life. Mr. Forrestal, also a reporter at first, went into business, developed a business man's desire for privacy and emerged as a leading figure in his field only when he became president of Dillon, Read & Co., Wall Street investment firm, in 1938.

It is also pointed out that the appointment of Mr. Forrestal climaxes the Washington career he started in 1940 when he gave up the presidency of Dillon, Reed & Co., as a Presidential assistant. The Associated Press added:

He was Mr. Knox's right hand in building the world's biggest Navy, going frequently to Capitol Hill to testify before committees considering Navy appropriations. On many occasions, he has urged the maintenance of this giant fleet in peacetime, declaring that peace which is not backed by power "is only a dream."

At 52, 18 years' Mr. Knox's junior, he will be one of the youngest men in the President's Cabinet.

Congressmen on both sides applauded the Forrestal appointment and Chairman Walsh (Dem., Mass.) of the Senate Naval Committee predicted speedy confirmation.

Chairman Vinson (Dem., Ga.) of the House Naval Affairs Committee, who suggested Forrestal after Mr. Knox died, said he thought the appointee was "eminently qualified."

From Associated Press Washington accounts May 11 we also quote:

Mr. Forrestal was educated in the public schools of his native Dutchess County, N. Y., where he is a neighbor of the President, studied a year at Dartmouth College and then he transferred to Princeton.

After graduation he worked for the New Jersey Zinc Co., and the Tobacco Products Co., before going to Dillon, Reed & Co.

He was working as a bond salesman for Dillon, Reed, when the United States entered the World War. He enlisted in the Naval Reserve as an aviator, receiving flight training with the Royal Flying Corps in Canada.

During most of 1918 he served in the Office of Naval Operations, in Washington, and meanwhile completed his flight training. He was released from active duty with the rank of Lieutenant in December 1918.

Allocations Of Geographical Credits For Sales In War Loan Drive Announced By Allan Sproul

In advices May 9 to the banking institutions in the New York Federal Reserve District bearing on the Fifth War Loan Drive for $16,000,000,000 which will open on June 12, Allan Sproul, President of the Reserve Bank, indicates the procedure for allocating geographical credits for sales. Mr. Sproul states:

"In order to avoid unnecessary shifts of deposit balances from one part of the country or from one institution to another, subscriptions for the securities to be offered during the drive should be entered and paid for through the banking institutions where the funds of the subscribers are located. A transfer of funds for the purpose of entering a subscription elsewhere serves no proper purpose which cannot be accomplished by an allocation of credit for the sale." Mr. Sproul in his advices further states:

"The manner in which credits will be given on a geographical basis for sales made during the drive, and the procedure under which purchasers may allocate credit for all or part of their subscriptions to counties other than those which would normally receive such credit, will be substantially the same as in the Fourth War Loan Drive, that is:

"Credit for sales of Series E War Savings Bonds will be given to the county in which the issuing agent is located, except that sales of such bonds issued directly by the Federal Reserve Banks and the Office of the Treasurer of the United States will be credited according to the addresses of the registered owners. No allocation may be made of credit for a sale of Series E bonds.

"In the absence of a specific request for allocation elsewhere, credit for sales of 2½% Treasury Bonds of 1965-70, 2% Treasury Bonds of 1952-54, 1¼% Treasury Notes of Series B-1947, ⅞% Treasury Certificates of Indebtedness of Series C-1945, and Treasury Savings Notes, Series C, will be given to the counties indicated by the addresses of the purchasers appearing on the subscription forms received by us, except that in the case of subscriptions for such issues entered in New York City for account of nonbanking corporations other than insurance companies credit will be given to the counties in New York City in which such subscriptions are entered. Credit for sales of Savings Bonds of Series F and Series G will be given to the counties indicated by the addresses of the registered owners.

"If a purchaser desires that credit for the sale of any security except a Series E War Savings Bond be allocated to a county or counties other than the county to which credit would be given under the rules stated above, a request for such allocation should be filed with us at the time the related subscription is filed. The request for allocation should be made on Form RA, a copy of which is enclosed, **and must accompany the related subscription when filed with us.** Form RA is to be prepared in quadruplicate, the first three copies to be transmitted to us and the fourth to be retained by the subscribing bank as its record. Where more than two separate allocations are requested in connection with a single subscription, additional pages designated Form RA 1 will be available.

"No allocation may be made in respect of any sale to an insurance company; such a sale will be credited to the county in which the head office of the company is situated. Since subscriptions by commercial banks for their own account under the formula permitting limited investment of savings deposits and certain time certificates of deposit will not be considered part of the drive and will not be credited to any quota, no geographical credit will be given for such subscriptions and no allocations may be made.

"It is suggested that the procedure for allocating credits for sales be studied by members of your staff who will work on matters pertaining to the drive, and that it be brought to the attention of your customers who you believe may wish to make such allocations in connection with subscriptions entered for their account."

Home Buyers In War Plant Areas Warned Against Swollen Prices

Persons contemplating the purchase of homes in crowded war industry cities were warned against swollen wartime prices by the Federal Savings and Loan Advisory Council at its semi-annual meeting on May 5 with the Federal Home Loan Bank Administration in Washington. Representing the 3,750 member thrift and home-financing institutions of the Federal Home Loan Bank System, the Advisory Council reported that increasingly inflated real estate valuations constitute a threat to the economic stability of some communities as well as to the safety of home ownership. The ability of financial institutions to supply credit for the resumption of large scale home building operations after the war also is threatened, the Council declared. Recognizing that the developing "boom" is in part encouraged by inflationary mortgage lending, the Council urged that all types of lending institutions cooperate at once to combat the danger.

The Council, according to the announcement from the FHLBA, recommended several precautions for adoption by all home-financing institutions. Among these are:

"Downward adjustment of the ratio of loans to appraised values in order to assure that excess risks are covered by the down payment rather than by the mortgage loan.

"Shortening of repayment periods.

"Accelerated repayment of principal during the first few years of the loan.

"Where possible, calculation of customary loan percentages on the basis of property prices in a pre-war period during which market conditions were reasonably stabilized.

"The taking of additional security on loans, to consist of shares, government bonds, paid-up life insurance, or other collateral in cases where high percentage loans are made on the basis of current market prices."

The Federal Savings and Loan Advisory Council consists of a representative of the industry elected by each of the 12 district Federal Home Loan Banks, and six members appointed by the Federal Home Loan Bank Administration in the public interest. James J. O'Malloy, President of the First Federal Savings and Loan Association of Wilkes-Barre, is Chairman. Walter Gehrke, President of the First Federal Savings and Loan Association of Detroit, is Secretary.

Need Of Simplification Of Tax System Seen By Horne Of Society Of Public Accountants

In accepting election May 8 as President of the New York State Society of Certified Public Accountants, Henry A. Horne, of the New York City accounting firm of Webster, Horne & Elsdon, called for simplification of the "the incredible hodge-podge" into which both the Federal and State taxing systems have fallen. Pointing out that the New York State Society had been advocating tax revision for years, he declared that the time for action is the present.

Mr. Horne stated that a half-century of experience has made the American business world aware of two outstanding characteristics of professional accountancy: first, its integrity of character, and second, its competence in the performance of technical tasks. He outlined three major future responsibilities faced by the profession.

"First," he said, "is the task of accounting for the termination of war contracts. All Americans eagerly look for the Day of Victory. Terminations are a thin stream now, but victory will bring with it a flood of cancellations and terminations. Business and the government will make demands on us in respect to the preparations of settlement claims and will call for all our intelligence and for all the strength of character that we should have." Mr. Horne went on to say:

"Secondly, I think of the crying need for the simplification of the incredible hodge-podge into which our taxing systems (both Federal and State) have fallen. For years, our Society has been advocating a revision of taxation. Now is the time for action.

"Thirdly, our post-war business structure will need many adjustments that will be brought about by mergers, consolidations, refinancings, and some liquidations. These are matters wherein the professional accountants' interpretation of financial history will be of prime importance.

"In these matters, as in all fields of our activity as independent accountants, the high ethical standards that have characterized professional accountancy throughout its entire history, must be maintained. We are not special pleaders. We tell the truth."

Mr. Horne has been First Vice-President of the society during the past year. He has been a member of the Society since 1912 and has served as a Director and as member or chairman of various committees. He is a member of the American Institute of Accountants, The National Association of Cost Accountants and the Connecticut Society of Certified Public Accountants.

At the annual election, William R. Donaldson, partner of the New York accounting firm of Miller, Donaldson & Co., was elected First Vice-President, and Prior Sinclair, partner of the New York accounting firm of Lybrand, Ross Bros. & Montgomery, was elected Second Vice-President to succeed Mr. Donaldson. Mr. Donaldson has been a member of the Society since 1922 and has served as Secretary and a Director, and as chairman of the special committee on Wartime and Post-war problems. He is a member of the New York Bar, the National Association of Cost Accountants and the American Institute of Accountants. He is Chairman of the Natural Business Year Council and President of the Accountant's Club.

Mr. Sinclair, who has been a member of the society since 1913, has served as Treasurer and a director. He has been Chairman of the Ethics Committee, Chairman of the Natural Business Year Committee and Chairman of the Committee on Furtherance of the Objects of the Society. He is author of the book, "Budgeting."

Officers re-elected for another year were Charles H. Towns, Secretary, and Harry E. Van Benschoten, Treasurer. Six new directors elected were Thomas F. Conroy, William Eyre, Henry Homes, Roy B. Kester, Henry E. Mendes and Saul Levy. Mr. Levy, as President of the Society, presided at the May 8 meeting. The newly elected President and others chosen at the meeting will take office on October 1.

Investment Bankers Map Part In Fifth War Loan Drive To Open June 12

Four hundred representatives of the city's leading investment banking houses met with officials of the War Finance Committee for New York May 3 in the auditorium of the New York Federal Reserve Bank, 33 Liberty Street, and undertook to cooperate in making, as a part of the Fifth War Loan, the most thorough canvass yet undertaken of the city's industries.

The investment bankers present are members of the Banking and Investment Division of the War Finance Committee and as such participated in previous war loan campaigns in soliciting bond purchases in the financial community. For the Fifth War Loan drive opening on June 12, the entire division not only will carry on its operations as before, but has been recruited to cooperate with the Commerce and Industry Divisions as well, in its solicitation of all business houses in the city. The purpose of the new arrangement is to utilize to the full the experience of the investment dealers in furthering the Fifth War Loan.

Nevil Ford, State Chairman of the War Finance Committe for New York, spoke of the excellent records made in previous loan drives and said:

"This Fifth War Loan must be the greatest success of all, because on it depends the outcome of the coming invasion, and upon this will depend the future of America."

Frederick W. Gehle, Executive Manager of the Committee, presided. Other speakers were Walter S. Gifford, President of the American Telephone & Telegraph Co.; Col. Allan M. Pope, President of the First Boston Corp.; William E. Cotter, general counsel for the Union Carbide & Carbon Corp. and Chairman of the Commerce & Industry Division; William R. White, Vice-President of the Guaranty Trust Co. and newly appointed Chairman of the Banking & Investment Division, and W. Randolph Burgess, Chairman of the Executive Committee of the War Finance Committee for New York.

The Commerce & Industry Division has organized 275 divisions representing all industries in the city, with 14 group chairmen working under the general direction of Mr. Cotter.

Peterson Elected V.-P. of St. Louis Reserve Bank

At a meeting of the board of directors of the Federal Reserve Bank of St. Louis on May 11, William E. Peterson was elected a Vice-President, and Laurence K. Arthur, an Assistant Vice-President. Mr. Peterson, says the announcement by Chester C. Davis, President of the St. Louis Reserve Bank, has been in the employ of the Bank since 1918, and has been its Chief Examiner since 1934. Mr. Arthur became affiliated with the institution when it opened in 1914, and has been serving as a department manager.

Leroy Lincoln Elected President Of N. Y. Chamber Of Commerce; Other Officers

Leroy A. Lincoln, President of the Metropolitan Life Insurance Co., on May 4 became the 49th President of the Chamber of Commerce of the State of New York following his election at the 176th anunal meeting held that day. He succeeds Frederick E. Hasler, Chairman of The Continental Bank & Trust Co., who having served two consecutive terms was ineligible for re-election. A member of the Chamber since 1930, and one of its Vice-Presidents from 1938 to 1942, Mr. Lincoln is the second Metropolitan Life official to head the Chamber within a period of 20 years. Frederick H. Ecker, now Chairman of the Metropolitan, was President of the Chamber from 1924 to 1926.

Three new Vice-Presidents to succeed John D. Rockefeller, Jr., J. Stewart Baker and Thomas W. Lamont, whose terms had expired, were elected by the Chamber for four-year terms. They were John A. Brown, President of Socony Vacuum Oil Co.; George Whitney, President of J. P. Morgan & Co., Inc., and Arthur Hays Sulzberger, President and publisher of the New York "Times."

William J. Graham, Vice-President of the Equitable Life Assurance Society of the United States, was elected Treasurer of the Chamber to succeed William S. Gray, Jr. William B. Scarborough was continued as Assistant Treasurer and B. Colwell Davis, Jr., as Executive Secretary.

Robert F. Loree was re-elected Chairman of the Executive Commitee. H. Donald Campbell and Leon O. Head were elected members-at-large of the Committee for three and two-year terms, respectively, and James T. Lee and J. H. Haffner were re-elected to similar posts for three years. Four new chairmen of standing committees of the Chamber were reelected: Arthur M. Reis, Internal Trade and Improvements; J. J. Kelleher, Harbor and Shipping; Edward V. Otis, Public Service in the Metropolitan District; Joseph H. McMullen, Admissions.

Mr. Lincoln, the new President of the Chamber, was born in Little Valley, N. Y., was graduated from Yale in 1902 and admitted to the bar in 1904. He was counsel for the New York State Insurance Department (1915-1917) where he was instrumental in bringing the fire insurance companies into agreement with the Department on a standard policy. For two years he was a partner in the law firm of Rumsey & Morgan, during part of which time he served also as general attorney for the Metropolitan Life Insurance Co., becoming its General Counsel in 1926, First Vice-President in 1928, a Director in 1929 and President in 1936.

House Increases Federal Debt Limit To $240,000,000,000

The bill increasing the debt limit of the Federal Government from $210,000,000,000 to $240,000,000,000 was passed by the House on May 10, by a voice-vote reference to the action of the House Ways and Means Committee in approving the bill on May 8 was referred to in our issue of May 11, page 1942. Reporting that there was no controversy over the measure and the only amendment adopted was one offered by the Ways and Means Committee, which reported the bill. Washington advices May 10 to the New York "Times" stated:

"The Committee proposed that in estimating the National debt outstanding at any time the Treasury shall continue to follow its present policy of figuring its obligations due to discount bonds, such as the Series E War Bonds, at the original sale price plus interest actually accrued. The bill, as originally introduced, provided for computation of the outstanding debt at the face amount.

"Representative Jere Cooper (Dem.-Tenn.), ranking majority member of the Ways and Means Committee, denied newspaper reports that Republican Committeemen 'forced' a reduction in the proposed new limit from the $260,000,000,000 which the Treasury originally asked.

"He said he offered a motion to fix the new limit at the lower amount, and that Treasury officials accepted his proposal.

"At the rate of present expenditure, the limit will be reached about March 31, unless the war ends sooner, Mr. Cooper said, and thus the Treasury will have to go to Congress again for legislation for further extension.

"The Tennesseean said the debt limit extension is necessary to permit holding of the $16,000,000,000 Fifth War Loan Drive, schedule to begin June 12."

Representative Dewey, in noting in the House on May 10 that there is now outstanding $185,000,000,000 of the present public debt limit of $210,000,000,000, stated that "this leaves an unused portion of public-debt limit as of today of $25,000,000,000. "The bill we have under consideration," he went on to say, "increases that limit from $210,000,000,000 to $240,000,000,000, providing an increased limit of public debt of $30,000,000,000. If one adds this $30,000,000,000 to the $25,000,000,000 unused and now existing one has a total unemployed borrowing power on the part of the Government amounting to $55,000,000,000."

Record Growth For N. Y. Savs. Bank Depositors

With a record-breaking gain of $60,885,651 in deposits during April, a month when such heavy savings are not generally expected, the total deposits of New York State's 132 mutual savings banks reached another all-time high of $6,382,792,395 as of May 1, 1944, according to figures released by the Savings Banks Association on May 11. New savings during the first four months of this year are over $207,000,000—an average of almost $52,000,000 a month, and an increase of 110% over the gain during the months of January to April, 1943, according to the Association, which says:

"This deposit gain was accompanied by a gain in depositors during April, 1944, of 17,108 and brings total accounts open to 6,314,158. Further account figures for the first four months of 1944 reveal a growth substantially greater than for the similar period in 1943, though not as impressive as the growth in deposits. The average account now stands at $1,010, an increase of over $9 per account since March 31, 1944, at which time the average account first passed the $1,000-mark.

"The total deposit figures of $6,382,792,395 and the open-account figure of 6,314,158 compare with deposits of $5,677,146,754 and accounts of 6,061,811 on May 1, 1943—gains of 12.4% and 4.2%, respectively.

"The sale of war bonds and stamps during April totals $12,735,916.60, bringing total sales for the first four months of the year to $95,224,140. Three years ago, on May 1, 1941, sales of war bonds were inaugurated. During these three years the savings bank of New York State have sold to the public war bonds in the amount of $777,812,750."

From Washington Ahead Of The News

(Continued from first page)

It was a very signal victory for the "workingman." And it was thus hailed wide and far.

Capitulating overnight, Ford capitulated in a big way as he does everything. We now recognize the CIO 100%, said Henry, and no qualifications about it. The result was that one of the first things the new order of Ford labor relations ran into was the complaint of the workers against this foreman and that. And Ford went about firing these foremen that the CIO demanded be fired. Men, part of the management setup for years, suddenly found themselves being fired because the unionized workers were demanding that they be fired because they had in the past exercised their managementship responsibilities. These men invariably were told that they could come back and work on the assembly line alongside those workers whom they had previously bossed and who now, feeling their oats, were out after them. Following experience after experience of this kind, the foremen decided they had better work out some collective form of protection. They began organizing as an offset to what was being done to them.

The headlines screamed, asked what the country was coming to, when the unionization movement had come to the point where the managers, which it was insisted the foremen were, demanded the right of collective bargaining. Really, this was going just too far.

The whole thing was and is that the foremen want to work. They can't manage if they are to be fired when an employes' group complains against them. It is a commentary on something that these "managers" felt they had to organize. It is more of a commentary on the experience they have had since.

What do you suppose these fellows think when Messrs. Patterson of the Army and Bard of the Navy send them a message saying they can't understand how these gentlemen could be striking right here on the eve of a great military adventure. What do you suppose they think when these great masterminds tell them they are helping Hitler. They are a group of "executives" fighting for their lives and they wonder what in the name of Heavens is going on in this country in the guise of defeating Hitler.

The point which we hope we have made clear is that under this capitulation of the automobile industry to the CIO, the latter is moving in gradually to take over the management of the industry. They are out after those who have served in an executive capacity in the past. It isn't very intelligent for big shots here in Washington and the editors to be telling these "executives" they are unpatriotic to strike in times of war. Unless they take some forceful action they won't be executives. They are fighting for their jobs. It is noteworthy that under the pressure of public opinion, the National Labor Relations Board has finally ruled these men had a right to organize but have no rights under the National Labor Relations Act. This being the case, of course, the Board has nothing in the world to do with it and its decision was just another pompous expression of Bureaucracy. But in the meantime, these men of "management" are fighting to hold their jobs as such.

President Asks Funds For UNRRA Participation; Seeks To Transfer Supplies Under Lend-Lease

Congress was asked by President Roosevelt on May 4 to authorize an appropriation of $450,000,000 under the act of March 28, 1944, designed to enable the United States to participate in the fund for the United Nations Relief and Rehabilitation Administration. Under the act referred to, details of which were given in our issue of April 6, page 1430, the United States is authorized to provide $1,350,000,000 of an international pool for UNRRA.

Besides the initial appropriation of $450,000,000 sought by the President, he also in his communication to Congress on May 4, requested authority to transfer supplies, services or funds to the amount of $350,000,000 under the Lend-Lease Act of March 11, 1941. This would be counted toward the total promised contribution, said Associated Press advices from Washington May 4, which also reported a White House statement as saying:

"It is estimated that UNRRA will need from the United States in the first field operations in liberated areas this minimum of additional supplies and services.

"The date when UNRRA relief operations in liberated areas will begin cannot be determined in advance of impending military developments.

"The beginning of fuller relief operations by UNRRA may be accompanied by a decline in military and lend-lease requirements for operations in the European theater, making such war purpose materials available."

"At such a stage," the President is quoted as telling Congress, "every effort should be made to utilize available stocks of goods held by any department or agency of the Government."

Savs. Bk. Money Order Sales Expanding

During April, 1944, a fairly normal month insofar as demand is concerned, savings bank money orders were sold by issuing banks at the rate of 2,300 a day, an increase of 130% over the average daily volume of 1,000 during the same month in 1943, according to advices from the Savings Banks Association of the State of New York, which points out that increased volume will be enlarged still further, it is expected, when additional issuing banks get their service into full swing and their depositors and the public have been fully informed of the availability of the service. From the announcement of the Savings Banks Association we also quote:

"While the adoption of the savings bank money order service was perhaps somewhat slow in its first four years of operation, its rapid growth during the past two months is a clear indication that the savings banks have recognized its advantages and usefulness as a regular banking service. Since early March, 28 banks have installed the system, bringing the total number of issuing banks to 68, and, with their branches, to 105, the total number of savings bank offices where the money orders are obtainable.

"A late development of the money order system, particularly among many of the newer banks, has been the completion of arrangements with Savings Banks Trust Co., the paying agent under the plan, to sell money orders up to $250. While the old rate of 10 cents for money orders in any amount up to $100 has been retained, the trend has been to increase the fee to 15 cents for amounts between $100 and $250, an increase which, incidentally, has had no unfavorable public reaction, according to banks offering the service. . . .

"While there are a great variety of policies regarding the promotion and sale of savings bank money orders among the issuing banks, due primarily to local conditions, there is a unanimous feeling among savings bank officials that the system has at least these four distinct advantages: First, it can and will be of great value not only in advertising the individual bank but in promoting the mutual savings bank system as well; second, it has a ready and complete public acceptance as a normal banking service for which a reasonable fee is justifiable; third, by substituting, in whole or in part, the uniform system for the furnishing of tellers' checks, there has been a considerable decline in the number of checks requested—particularly among those of the 'nuisance' variety; and, fourth, the collection of money order fees, small as they may be in some cases, has changed a service previously operated at almost a total loss to one on at least a self-sustaining basis.

Great Britain Extends Huge Credit To China

Foreign Secretary Anthony Eden announced in the House of Commons on May 3 that the British Government had signed an agreement with the Chinese Government on May 2 granting a loan of £50,000,000 "to finance the goods and services required by China in the sterling area for purposes arising out of the war." A cablegram from London May 3 to the New York "Times" in which this was reported, further said in part:

"A second agreement covering the provision of arms, munitions and military equipment on lend-lease terms was signed at the same time, Mr. Eden said.

"The loan was first proposed by Great Britain early in 1942 at about the time when the United States made a $500,000,000 loan that President Roosevelt requested as urgently needed to fortify China economically and strengthen her war effort. The negotiations on the British loan have gone slowly because of discussions on the scope of the goods and services to be covered. From neither British nor Chinese sources could any amplification of Mr. Eden's statement of the purposes be obtained.

"Both sides, however, said that the slowness had not affected British supplies to China. There had remained unexpected balances of previous credits belonging to China."

St. Louis Reserve Eases Credit For Flood Sufferers

The Federal Reserve Bank of St. Louis announces that the usual consumer credit restrictions regarding down payments and installment terms, contained in the Consumer Credit Regulation W of the Federal Reserve System were removed on May 10 for flood sufferers.

In a statment issued that day by the St. Louis Reserve Bank, authority was given to merchants and lenders to extend consumer credit on any terms satisfactory to them providing such credit was for the sole purpose of repairing or replacing real or personal property lost or destroyed as a result of the current floods. The bank also says:

"This easing of restrictions applies only to the Eighth (St. Louis) Federal Reserve District, which includes all of Missouri, except the western tier of counties; southern Illinois and Indiana; western Tennessee and Kentucky; northern Mississippi and all of Arkansas."

President Returns To Washington After Month At Baruch Plantation In South Carolina

President Roosevelt, who had been sojourning in the South for nearly a month, following colds from which he had been suffering for some weeks, returned to Washington on May 7 in "excellent shape," according to his physician. Upon his return, it was disclosed by the White House, that the President had spent his vacation at Hobcaw Barony, Bernard M. Baruch's plantation at Georgetown, S. C. Before leaving the plantation the President told reporters that he was feeling a great deal better. Associated Press Washington advices May 7, noting this, said:

And whatever rigors the eventful months ahead may hold for the Chief Executive as President, politician or Commander-in-Chief, his vacation companions said they were convinced he once more was in fine physical trim.

Mr. Roosevelt's doctor, Vice-Admiral Ross T. McIntire, declared:

"My own feeling is that we gained everything we expected from a four-weeks rest and I am perfectly satisfied with his physical condition."

Secretary of State Hull met the Chief Executive when his special train rolled in from the South this morning and rode with him to the White House. White House officials said the President would confer tomorrow with Congressional leaders.

During the month's rest the President eased up more than at any time since he entered the White House. He slept 12 hours a night. He worked at times, but only when he felt like it. And he had a chance to enjoy a shirt-sleeved type of relaxation—sopping up sunshine, fishing and not caring too much if the biting was good, cruising waterways and highways, and looking in on scenic and historic spots.

He returned to the capital with an improved color and with some of the tired seams smoothed from his face. He said he could not think of any major issues or problems confronting him here, since he had been able to dispose of nearly all current official business as it dribbled into Hobcaw Barony by courier.

At the President's conference with Congressional leaders on May 8, the legislative situation was reviewed, according to Senator Barkley of Kentucky, majority leader of the Senate, the President recommended no new legislation and the Senator saw no indication that Mr. Roosevelt would do so soon. There was no talk, he asserted, about Congressional inquiries into the Government's seizure of Montgomery Ward & Co.'s Chicago plants. From the Associated Press advices May 8, we also quote:

"We apprised the President of the status of legislation in both houses," Senator Barkley asserted, "which is getting along very well."

With Senator Barkley at the White House were Vice-President Wallace, Speaker Rayburn and Representative McCormack, the majority leader of the House. Mr. Wallace remained a few minutes after the others had left. Asked whether he had discussed with Mr. Roosevelt a projected trip to China which he is planning in the next few months, the Vice-President replied: "Naturally it came up."

The President's vacation in the South, originally planned for two weeks, was referred to in our April 20 issue, page 1647.

Munitions Productions Increased In March Industrial Effiiency Must Continue To Improve

The report on munitions production for the month of March was issued on April 28 by Donald M. Nelson, Chairman of the War Production Board. The text follows:

"Output of munitions during March rose 3% above the February level, ending a three-month downtrend which was scheduled for the early part of the year.

"From March onward, the overall schedule rises throughout the summer. The major problem in war production for the next few months will be to keep the level of the actual output abreast of the increasing schedule as set by the armed forces.

"The outstanding characteristic of the munitions program at the present time is that it splits into two pieces.

"First, there are the rising programs—types of war materials for which there is an increasing demand—for example, aircraft, airborne electronics equipment, large trucks, most types of Naval combatant ships, landing craft, heavy artillery.

"Then there are the declining programs—munitions items for which the demand is decreasing, due to adequate stockpiles or other reasons—for example, most ground Army items, destroyer escort vessels, Liberty ships, radio. Roughly, four-fifths of the entire munitions program consists of the rising programs.

"A challenging aspect of the future munitions schedule is that the most critical munitions items —as represented by the rising programs—are scheduled to rise 25% by the end of this year.

"Meeting the goal that lies ahead is going to tax the resourcefulness and cooperativeness of both management and labor. This is illustrated by the fact that during March the actual output in the critical uptrending programs was up 6%, while the required gain was 8%. In order to meet the future schedules of these rising programs, men and women workers who are released from work in the declining programs must shift to plants which are working on the critical expanding programs, instead of leaving war plants and going into less essential activities. Similarly, management and labor must continue to improve industrial efficiency and must make determined efforts to remove such production drains as are represented by unhealthful working conditions and industrial accidents."

To Pay Panama Bond Int.

The National City Bank of New York, as Fiscal Agent, is notifying holders of Republic of Panama 35-Year 5% External Secured Sinking Fund Gold Bonds, Series A, due May 15, 1963, that funds have been received under the Fiscal Agency Contract of June 22, 1928, under which the bonds were issued, and "are now available for distribution (a) as a final payment on account of the interest represented by the November 15, 1940, coupons pertaining to the said bonds, in the amount of $5.22 for each $25 coupon and $2.61 for each $12.50 coupon, and (b) as a partial payment on account of the interest represented by the May 15, 1941, coupons pertaining to the said bonds, in the amount of $15.62 for each $25 coupon and $7.81 for each $12.50 coupon."

The distribution will be made at the office of the Fiscal Agent, The National City Bank of New York, 22 William Street, upon surrender of the November 15, 1940 coupons and upon presentation of the May 15, 1941 coupons, accompanied by properly executed letters of transmittal.

Support Congressman Dewey's $500,000,000 International Reconstruction Bill

(Continued from first page)

By Prof. JAMES W. BELL

As a first step toward international co-operation H. J. Res. 226, providing for a Central Reconstruction Fund, presents a practical and realistic approach to the solution of problems which will arise as soon as the shooting stops. Without constructive plans and workable machinery available for immediate use, there is little hope that we will be able to avoid repetition of the disastrous experiences following World War I. It was made clear at that time that disrupted foreign exchanges, collapsed monetary systems, internal economic disorganization and unbalanced foreign trade led to cutthroat competition and eventually to warfare.

Under the provisions of H. J. Res. 226, international financial co-operation with regard to short- and long-term reconstruction credits can be entered into in a sound and practical way, country by country, as soon as these territories are freed from Axis occupation. The financial problems of reconstruction can be taken up in each case as they arise, and on the basis of that experience, succeeding situations can be dealt with in the light of knowledge gained. We would thus be proceeding from the known to the unknown, rather than the reverse, —from the ground up instead of from speculative plans down. Activities can be enlarged with increased demands for financial assistance without committing the United States, in the beginning, to a program which under some proposed plans involves this country in undertakings expressed in the terms of billions of dollars with the risk of suffering heavy losses,—losses resulting from decisions which may be made over our protests.

From the beginning I have been favorably impressed with all plans of international economic collaboration having as their objectives relatively stable exchanges and balanced international trade. At the same time, I have been skeptical of applying on a large scale such untried plans as the Keynes, White, and United Nations Bank plans with their potentially inflationary provisions and with the immense stake involved in the matter of control.

With a devastated Europe, the United States will continue to export much more than war-exhausted countries will be able to pay for immediately. The relatively high price of dollar exchange will cause pressure on these foreign currencies which will have to be relieved by loans, both short- and long-term. These loans will bulk large and may roughly have to equal the difference between exports and imports. The definition of the problem will do much to point to its solution and my first impulse was to favor the establishment of an international agency representing all nations concerned, but endowed with little or no functions except to investigate, report and advise. However, some controls and regulations seem patently necessary if certain codes of international conduct are to be observed; and collaboration can be made more effective if such a body has some capital to use. Under these circumstances, an international board representing a few key countries who have the greatest stake in sound currencies and balanced trade, would be a safer approach, although even here, use of money and power may be made on the basis of nationalistic interests. Ample safeguards against such abuse can hardly be devised.

H. J. Res. 226 recognizes the need of our assuming responsibilities in reconstruction finance, but it also recognizes that it is necessary for the United States to safeguard its own interests and to economize and to conserve its resources. In its organization and its operation it recognizes the principle that the chief creditor should have dominant control over the loan transactions it makes, and that Congress should have a direct knowledge of what is going on. This bill assumes that control over our own participation in financial operations would be retained, at least, until the satisfactory results in participation loans show the way to closer co-operation.

By J. SPENCER SMITH

poses that gave birth to the agreements or treaties. If all of this be true regarding conditions wherein the parties speak the same language, where living conditions are alike, where they have mutual interests, then what may be anticipated where differences are present in every respect? Instead of mutual interests, you have intense rivalry — each one justified in striving to accomplish what will serve the interest of the country he represents.

The Board as set up under House Joint Resolution 226 accomplishes two things—it keeps the control of any assistance we may render strictly within our own hands and, secondly, should avoid partisan criticisms.

In advocating the adoption of the principles contained in House Joint Resolution 226, I have in mind that international trade is not something that can be regimented or planned in advance. Neither can it be confined within certain channels. If it is to function for the benefit of mankind and produce employment not only with us but throughout the world, it must be free. Free from governmental control. You may ask why. The answer is that the very nature of business between peoples of different lands is the antithesis of static. The conditions that make for trading are constantly changing. A demand for certain commodities may spring up over night. A group may associate themselves together in the belief that they can develop a business here in an imported item, or they can develop a market in China, say, for products we produce. These are some of the facts that bring about constant shifting of the currents of trade.

Exporters and importers feel that they can contend with the problems that arise due to market conditions, crop failures, and so forth, and all the other hazards that are incidental to the producing, buying, and selling of goods. What they fear, however, are the unknown factors over which they have no control or knowledge, such as come under the heading of governmental edicts or orders. The direction or control of foreign exchange by an international governmental authority would to my mind present such hazards to those engaged in the export and import business that they would hesitate to make any commitments, other than what might be termed on a "day-to-day" basis. The reason being that they could not tell what the repercussions would be due to some decree by the international agency controlling the monetary and foreign exchange situation. Those engaged in the export and import business have avenues of information available to them which through years of experience can indicate the trend of affairs within the confines of a nation. With such knowledge in hand they can form an opinion regarding the risks that are involved. From a practical angle it would be almost impossible for them to arrive at an opinion that would be worth while and which would embrace all of the factors that would have to be included in sizing up a market situation when they have to contend with conclusions that might be reached by a body dealing with the foreign exchange situation when the opinions of such a body would be the result of trying to harmonize conflicting interests. Bear in mind the fluid status that must surround all international trading. It is inconceivable that any group made up of representatives of different nations could make plans or arrive at the adjustment of the currencies of different nations which would be satisfactory to the nationals of the respective countries they hail from. It is this very fact that gives strength to the plan proposed in House Joint Resolution 226. According to this plan, the terms upon which financial aid will be given to any nation are known, the conditions are stated in advance before the aid is extended.

General Outlook

(Continued from first page)

probably no use of now discussing Willkie, Dewey, Bricker or anyone else. The Republicans' opportunity will come in 1948.

Granting Mr. Roosevelt will be physically able to run and the War is still on, he will be reelected. However, he may later resign in favor of a conservative vice president to become head of a World Organization. In this capacity, he could be of great service. The New Dealers want Mr. Wallace again as Vice President; but the conservative Democrats want someone like Senator Byrd.

Labor and Private Enterprise

Private enterprise progressed very well until the introduction of mass production. Then it became difficult to avoid periods of unemployment. Under a capitalistic system, labor is controlled by supply and demand just as are all commodities. It is a mistake now to bring the question of the "open" or "closed" shop into politics. Before long there will be a surplus of labor; then talk about open or closed shops will dry up of itself.

Some day the U. S. A. and England may have to take a leaf out of Russia's Book. In Russia, an individual can own a reasonable amount of land or a small business as long as he and his family operate it without hired help. Othewise all farms, factories and stores are operated by the Government. The same thing applies to home ownership; property must be occupied and not rented. No one can take a profit from labor other than his own or his family's.

Importance of Education

All nations, including our own, will ultimately have troublesome years. We must devise means of meeting unemployment, of competing for world trade, of combatting inflation and of preserving our free enterprise system. To some extent, we can rely upon our man-made laws and business integrity. However, unless our efforts are supplemented by a spiritual and educational awakening, we may have difficulty in maintaining the equanimity necessary to see us through these momentous times.

Young people should now insist upon a good education. Wise are those who become **experts** in some one line of work. Whatever may happen to the capitalistic system, such experts will have little to fear. The best insurance against radicalism is to be an **expert** in something useful. For the next six years wise parents will pour money into **fool-proof** education. This will be the safest of all investments and pay the biggest dividends.

Selected Income And Balance Sheet Items Class I Railways For February

The Bureau of Statistics of the Interstate Commerce Commission has issued a statement showing the aggregate totals of selected income and balance sheet items for class I steam railways in the United States for the month of February, 1944 and 1943, and for the two months ending with February, 1944 and 1943.

These figures are subject to revision and were compiled from 131 reports representing 135 steam railways. The present statement excludes returns for class A switching and terminal companies. The report is as follows:

	All Class I Railways			
	For the Month of February		For the two months of	
Income Items—	1944	1943	1944	1943
Net ry. operat. income	$84,493,179	$105,834,245	$167,317,093	$210,923,392
Other income	13,172,828	11,465,770	27,633,139	25,068,692
Total income	97,666,007	117,300,015	194,950,232	235,992,084
Miscellaneous deductions from income	2,745,329	2,157,692	5,287,324	4,287,836
Income available for fixed charges	94,920,678	115,142,323	189,662,908	231,704,248
Fixed charges:				
Rent for leased roads and equipment	12,102,413	14,636,130	24,576,462	29,394,575
*Interest deductions	34,318,014	36,275,198	68,798,807	72,738,210
Other deductions	119,440	126,872	239,942	248,879
Total fixed charges	46,539,867	51,038,200	93,615,211	102,381,664
Inc. after fixed charges	48,380,811	64,104,123	96,047,697	129,322,584
Contingent charges	2,342,510	2,212,359	4,685,939	4,466,725
†Net income	46,038,301	61,891,764	91,361,758	124,855,859
Depreciation (way and structures and equip.)	26,314,184	26,232,010	52,919,796	52,685,097
Amortization of defense projects	14,441,295	10,478,984	27,519,341	19,860,870
Federal income taxes	101,218,643	95,149,452	196,985,472	183,079,102
Dividend appropriations:				
On common stock	17,819,556	15,933,174	20,179,556	18,293,174
On preferred stock	2,516,440	2,600,500	5,080,128	5,211,921
¶Ratio of income to fixed charges	2.04	2.26	2.03	2.26

	All Class I Railways Balance at end of February		**Class I Railways Not in Receivership or Trusteeship Balance at end of February	
Selected Asset Items—	1944	1943	1944	1943
Investments in stocks, bonds, etc., other than those of affiliated companies	$590,545,098	$548,628,300	$546,802,616	$519,333,019
Cash	1,179,653,123	1,055,457,415	905,609,888	754,504,341
Temporary cash investments	1,901,110,849	972,040,581	1,412,501,834	819,037,122
Special deposits	192,638,188	127,818,625	161,083,432	91,966,531
Loans and bills receivable	210,344	335,345	206,974	283,435
Traffic and car-service balances (Dr.)	48,410,932	43,762,871	35,863,537	36,408,055
Net balance receivable from agents and conductors	157,794,943	173,362,781	127,298,650	142,353,945
Miscellaneous accounts receivable	665,146,187	481,273,626	516,788,605	375,660,145
Materials and supplies	555,018,517	507,039,373	443,586,491	409,006,567
Interest and dividends receivable	23,105,126	17,811,638	19,420,249	16,308,869
Rents receivable	1,802,969	1,193,107	1,234,976	784,369
Other current assets	59,429,267	13,889,551	55,268,052	9,964,569
Total current assets	4,784,320,445	3,393,984,913	3,678,862,688	2,656,277,948
Selected Liability Items—				
‡Funded debt maturing within six months	113,761,313	126,862,690	92,620,024	110,682,918
§Loans and bills payable	14,888,834	15,927,203	2,600,000	1,603,100
Traffic and car-service balances (Cr)	206,719,730	136,596,733	153,575,200	88,882,138
Audited accounts and wages payable	589,748,086	397,911,944	490,129,330	321,892,087
Miscellaneous accounts payable	115,092,155	79,812,910	86,674,884	58,370,127
Interest matured unpaid	45,698,082	48,286,334	40,289,168	41,196,710
Dividends matured unpaid	7,131,455	3,034,506	6,789,382	2,692,341
Unmatured interest accrued	72,212,537	77,803,959	68,361,466	72,680,149
Unmatured dividends declared	29,070,546	30,732,927	29,070,546	30,732,927
Unmatured rents accrued	22,672,924	23,811,727	19,957,717	20,794,859
Accrued tax liability	1,901,005,058	1,160,054,424	1,611,306,790	1,032,551,349
Other current liabilities	165,828,175	63,939,352	114,110,799	47,762,919
Total current liabilities	3,170,067,582	2,037,912,019	2,622,865,282	1,719,158,706
Analysis of accrued tax liability:				
U. S. Government taxes	1,768,451,412	1,032,951,244	1,508,968,432	931,249,474
Other than U. S. Government taxes	132,553,646	127,103,180	102,338,358	101,301,875

*Represents accruals, including the amount in default. †For railways not in receivership or trusteeship the net income was as follows: February, 1944, $37,639,386; February, 1943, $47,206,848; for the two months ended February, 1944, $73,451,923; two months ended February, 1943, $95,790,695. ‡Includes payments of principal of long-term debt (other than long-term debt in default) which will become due within six months after close of month of report. ¶For railways in receivership and trusteeship the ratio was as follows: February, 1944, 1.75; February, 1943, 2.19; two months, 1944, 1.78, two months, 1943, 2.17. §Includes obligations which mature not more than one year after date of issue. **Figures include returns of the Minneapolis and St. Louis which emerged from recervership on Dec. 1, 1943.

Feb. Mortgage Financing Up In Non-Farm Areas

The Federal Farm Loan Bank Administration announced on Apr. 1, that contrary to the usual tendency for nonfarm mortgage activity to decline in Feb., the estimated volume of mortgage recordings of $20,000 or less increased during the month when 99,345 mortgages in the amount of $309,600,000 were recorded. These figures compare with 94,530 mortgages amounting to $301,900,000 recorded during the previous month and represent the highest February volume in the history of the mortgage recording series.

The FHLBA announcement continued:

"Only two types of mortgagees participated in the February increase. Savings and loan associations with a gain of 13% accounted for most of the rise while miscellaneous lenders experienced a gain of less than 1%. The remaining types of lenders reported decreases ranging from one-half of 1% for individuals to 9% for insurance companies.

"Savings and loan associations increases their share in the total volume by recording 33% of the February total. In the same month of 1942 and 1943, their share was 30% of the aggregate amount. Individuals remained in second place, accounting for a little more than 23% of the total volume compared with slightly less than 23% in 1943 and 18% in 1942.

"Comparison of the volume of February recordings with that for the corresponding month of 1943—when recordings were at the lowest level since 1939—reveals marked increases for each class of lender. Total recordings were 41% above the figure for last year. Savings and Loan associations gained 52% during this period while the recordings for individuals were up 45%; commercial banks, 36%; mutual savings banks, 18%; and insurance companies, 4%."

	February 1944				February 1943			Cumulative Recordings January-February		
Type of Lender	Volume (000)	% of Total	% Chg. from Jan. 1944	% Chg. from Feb. 1943	Volume (000)	% of Total	% Chg. from Jan. 1943	Volume (000) 1944	1943	% Chg.
S. &L. Assns.	$101,705	32.8	+13.1	+51.9	$66,938	30.5	+3.1	$191,592	$131,873	+45.?
Ins. Cos.	18,753	6.1	—8.9	+3.8	18,064	8.2	—9.2	39,338	37,964	+3.6
Bk. & Tr. Cos.	60,346	19.5	—2.9	+36.3	44,273	20.1	—9.0	122,526	92,913	+31.9
Mut. Svg. Bks.	9,294	3.0	—4.5	+17.7	7,895	3.6	—1.9	19,025	15,940	+19.4
Individuals	72,246	23.3	—0.5	+44.9	49,854	22.7	—1.4	144,846	100,437	+44.2
Others	47,300	15.3	+0.7	+44.0	32,858	14.9	—9.2	94,266	69,038	+36.5
Total	$309,644	100.0	+2.5	+40.8	$219,882	100.0	—3.7	$611,593	$448,165	+36.5

"During the first two months of this year approximately 193,875 instruments, representing a total dollar volume of $611,600,000, were filed for public record, compared with 153,301 mortgages totaling $448,200,000 during the same period of 1943. This was an increase of 27% in number and 37% in dollar amount over 1943 but was still 7% less in number and almost 1% lower in volume than recordings during the comparable period of 1942."

Latest Summary Of Copper Statistics

The Copper Institute on May 11 released the following statistics pertaining to production, deliveries and stocks of duty-free copper:

SUMMARY OF COPPER STATISTICS REPORTED BY MEMBERS OF THE COPPER INSTITUTE

(In Tons of 2,000 Pounds)

U. S. Duty Free Copper	Production *Crude	Production Refined	Deliveries to Customers †Domestic	Deliveries to Customers Export	‡Refined Stocks End of Period	Stock Increase (+) or Decreases (—) Blister	Stock Increase (+) or Decreases (—) Refined
Year 1939	836,074	818,289	814,407	134,152	159,485	+17,785	—130,270
Year 1940	992,293	1,033,710	1,001,886	48,537	142,772	—41,417	—16,713
Year 1941	1,016,996	1,065,667	1,545,541	307	75,564	—48,671	—67,208
Year 1942	1,152,344	1,135,708	1,635,236	----	65,309	+16,636	—10,255
§Year 1943	1,194,699	1,206,871	1,643,677	----	52,121	—12,172	—13,188
4 Mos. 1944	384,463	374,307	538,271	----	38,382	+10,156	—13,739
July, 1943	100,456	105,589	129,631	----	55,097	—5,133	—610
Aug., 1943	97,413	100,077	147,135	----	53,726	—2,664	—1,371
Sep., 1943	98,867	98,333	141,111	----	45,844	+534	—7,882
Oct., 1943	102,589	97,274	129,212	----	47,148	+5,315	+1,304
Nov., 1943	99,340	102,136	138,881	----	52,027	—2,796	+4,879
§Dec., 1943	98,568	104.644	115,850	----	52,121	—6,076	+94
§Jan., 1944	95,424	92,781	101,779	----	45,800	+2,643	—6,321
§Feb., 1944	95,713	87,128	124,532	----	36,489	+8,585	—9,311
§Mar., 1944	101,289	99,118	156,083	----	37,259	+2,171	+770
Apr., 1944	92,037	95,280	155,877	----	38,382	—3,243	+1,123

*Mine or smelter production or shipments, and custom intake including scrap.

†Beginning March, 1941, includes deliveries of duty paid foreign copper for domestic consumption.

‡At refineries, on consignment and in exchange warehouses, but not including consumers' stocks at their plants or warehouses.

§Corrected.

Non-Ferrous Metals — Raw Materials Board Now Asks for Full Output of Foreign Copper

"E. & M. J. Metal and Mineral Markets," in its issue of May 11, stated: "The Combined Raw Materials Board announced last week that the position of copper in the United States has continued to be tight and the situation has been worsened by the prospective decline in this country because of manpower shortages. The Board has decided to safeguard the Allied nations' copper position and has asked that production from all sources should be maintained as far as practicable. Early this year the group held that the British copper position eased sufficiently for the United Kingdom to plan reducing its purchases of copper from Rhodesia." The publication further went on to say, in part:

Copper

The Bureau of Mines reports that copper production at domestic mines during March, in terms of recoverable metal, totaled 93,617 tons. The daily rate of production for March was 3,020 tons, against 3,012 tons in February. Mine output of copper held at a fairly even rate over the first three months of 1944, with the trend slightly upward. However, the industry doubts that production schedules can be maintained after March, owing to the draft of mine workers for the armed forces that made inroads on the manpower supply at the beginning of the second quarter.

Copper supplies will be viewed as tight until the successful invasion of Europe has been achieved.

Lead

Mine workers in Mexico postponed action on May 4 in reference to demands for higher wages until May 23, according to advices from Mexico City. In other words, production at the mines is being maintained and the movement of lead and zinc from Mexico to the United States continues at a fairly high level.

Sales of lead in the domestic market for the week ended yesterday amounted to 7,519 tons, against 6,497 in the preceding week. The price situation was unchanged.

Shipments of lead by domestic refineries during the first three months of 1944, with comparable figures for the Jan.-March period of 1943, in tons, were as follows:

	Jan.-March 1943	Jan.-March 1944
Cable	25,065	30,990
Ammunition	13,735	7,571
Foil	2,024	4,042
Batteries	16,562	23,803
Brass mills	1,305	2,054
Sundries	12,576	15,620
Jobbers	1,707	1,224
*Unclassified	64,097	66,770
Totals	137,071	152,074

*The American Bureau of Statistics observes that the major part of the "unclassified" metal goes into white lead, red lead, litharge, and other oxides, and into sheet and pipe. Other items are solder, babbitt metal, and lead for tetraethyl gasoline.

Zinc

Holding to the view that production of zinc in the United States will decline over the remainder of the year, chiefly because of the labor shortage, producers were not concerned about the increase in stocks reported for April. With some foreign zinc also stored in this country, and not included in the regular statistics, the total supply picture is even larger than the 218,598 tons reported as on hand at the end of April.

Production, shipments, and stocks of slab zinc since the begining of 1943, by months, as shown by the Institute, in tons:

	Production	Total Shipments	Stock
1943—			
January	83,870	77,221	96,107
February	76,667	74,762	98,012
March	83,787	76,033	105,766
April	81,057	78,781	108,042
May	82,399	79,426	111,015
June	78,865	74,191	115,689
July	80,249	70,778	125,160
August	79,736	71,810	133,086
September	79,361	69,160	143,287
October	83,066	71,946	154,407
November	79,834	75,508	158,733
December	83,165	68,232	173,666
1944—			
January	84,066	63,637	194,095
February	79,894	62,696	211,293
March	86,037	84,443	212,887
April	80,405	74,694	218,598

Tin

Though news reports from Bolivia indicate that the political situation remains highly strained, it is assumed here that exports of tin concentrates continue at about the normal rate. In fact, with some of the ore that formerly went to England now moving to Texas, the total supply available here has probably increased. Stocks of tin concentrates at the smelters are believed to be fairly large.

Essential tin needs of consumers are being supplied. Production of tin-plate during the third quarter is expected to be maintained at about the current rate, which is 825,000 tons for the April-June period.

The price situation in tin remains unchanged. Straits quality metal for shipments, in cents per pound, was as follows:

	May	June	July
May 4	52.000	52.000	52.000
May 5	52.000	52.000	52.000
May 6	52.000	52.000	52.000
May 8	52.000	52.000	52.000
May 9	52.000	52.000	52.000
May 10	52.000	52.000	52.000

Chinese, or 99% tin, held at 51.125 cents per pound all week.

Quicksilver

Though the trade feels that consumption of quicksilver in the United States now exceeds production, the tone of the market has not improved. On quantity business, for shipment from the Pacific Coast, prices remain unsettled and subject to "negotiation." The quotations in New York continued at $120 to $125 per flask, depending on quantity.

Mines are being shut almost daily to offset the reduced rate of consumption. The decline in the price that has occurred since the beginning of 1944 has been more severe than most observers anticipated. As 1943 ended the quotation in New York was $190 per flask, or $70 above the current price.

Production of quicksilver in the United States during March amounted to 3,800 flasks, the same as in February. Consumption for March was 3,600 flasks, against 3,700 flasks in February, the Bureau of Mines reports.

Silver

During the last week the London markets for silver has been quiet, with the price unchanged at 23½d.

The New York Official for foreign silver and the Treasury's price continued at 44¾ cents and 35 cents, respectively.

Daily Prices

The daily price of electrolytic copper (domestic and export refinery), lead, zinc and Straits tin were unchanged from those appearing in the "Commercial and Financial Chronicle" of July 31, 1942, page 380.

Manship Heads London Censorship Office

Charles P. Manship, Sr., Louisiana newspaper publisher and past President of the Southern Newspaper Publishers' Association, was appointed London director of the Office of Censorship on May 2. Director Byron Price announced that Mr. Manship, who will take up his duties in a month, succeeds John S. Knight, of the Knight Newspapers, who has returned to the active management of his properties in Akron, Miami and Detroit, after a year's service in censorship.

Reporting that Mr. Manship has been a newspaper man since 1899 said:

"He is President of the Capital City Press, which publishes 'The Baton Rouge (La.) Advocate' and 'The Baton Rouge State-Times,' and he is owner also of the Baton Rouge Broadcasting Company, Inc., which operates stations WJBO and WBRL. He served as President of the Southern Newspapers Publishers' Association for two terms in 1942 and 1943."

Weekly Coal And Coke Production Statistics

The Solid Fuels Administration for War, U. S. Department of the Interior, in its latest report, states that the total production of soft coal in the week ended May 6, 1944, is estimated at 12,150,000 net tons, a decrease of 210,000 tons, or 1.7%, from the preceding week. Output in the corresponding week of 1943 amounted to 9,930,000 tons. Cumulative production of soft coal from Jan. 1 to May 6, 1944, totaled 222,835,000 tons, as against 212,561,000 tons in the same period last year, a gain of 4.8%.

According to the U. S. Bureau of Mines, production of Pennsylvania anthracite for the week ended May 6, 1944, was estimated at 1,278,000 net tons, a decrease of 66,000 tons (4.9%) from the preceding week. When compared with the output in the corresponding week of 1943 there was, however, an increase of 247,000 tons, or 24.0%. The calendar year to date shows an increase of 5.1% when compared with the corresponding period of 1943.

The Bureau of Mines also reported that the estimated production of beehive coke in the United States for the week ended May 6, 1944, showed an increase of 3,300 tons when compared with the output for the week ended April 29, 1944, but was 9,000 tons more than for the corresponding week of 1943. Production for the 127 days ended May 6, 1944, was 146,500 tons below that for the same period last year.

ESTIMATED UNITED STATES PRODUCTION OF COAL, IN NET TONS

	Week Ended			January 1 to Date		
Bituminous coal and lignite—	May 6, 1944	April 29, 1944	May 8, 1943	*May 6, 1944	May 8, 1943	May 8, 1937
Total, incl. mine fuel	12,150,000	12,360,000	9,930,000	222,835,000	212,561,000	169,764,000
Daily average	2,025,000	2,060,000	1,655,000	2,058,000	1,959,000	1,570,000

*Subject to current adjustment.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE

(In Net Tons)

	Week Ended			Calendar Year to Date		
Penn. anthracite—	‡May 6, 1944	§April 29, 1944	May 8, 1943	May 6, 1944	May 8, 1943	May 11, 1929
*Total incl. coll. fuel	1,278,000	1,344,000	1,031,000	22,963,000	21,841,000	26,698,000
†Commercial produc.	1,227,000	1,290,000	990,000	22,046,000	20,967,000	24,776,000
Beehive coke—						
United States total	143,500	140,200	134,500	2,749,900	2,896,400	2,286,600

*Includes washery and dredge coal, and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Subject to revision. §Revised.

ESTIMATED WEEKLY PRODUCTION OF COAL, BY STATES

(In Net Tons)

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

	Week Ended			
State—	April 29, 1944	April 22, 1944	May 1, 1943	May 1, 1937
Alabama	385,000	382,000	191,000	26,000
Alaska	5,000	5,000	4,000	3,000
Arkansas and Oklahoma	88,000	88,000	74,000	13,000
Colorado	170,000	170,000	137,000	90,000
Georgia and North Carolina	1,000	1,000	*	*
Illinois	1,514,000	1,511,000	1,341,000	573,000
Indiana	511,000	524,000	475,000	209,000
Iowa	42,000	43,000	52,000	22,000
Kansas and Missouri	150,000	168,000	162,000	63,000
Kentucky—Eastern	941,000	942,000	692,000	832,000
Kentucky—Western	393,000	381,000	274,000	158,000
Maryland	36,000	37,000	32,000	15,000
Michigan	5,000	4,000	2,000	2,000
Montana (bitum. & lignite)	92,000	85,000	88,000	31,000
New Mexico	38,000	36,000	34,000	30,000
North & South Dakota (lignite)	31,000	33,000	20,000	24,000
Ohio	705,000	680,000	571,000	396,000
Pennsylvania (bituminous)	3,057,000	3,100,000	1,899,000	1,855,000
Tennessee	138,000	147,000	114,000	37,000
Texas (bituminous & lignite)	3,000	3,000	2,000	16,000
Utah	118,000	115,000	112,000	30,000
Virginia	413,000	377,000	301,000	204,000
Washington	28,000	27,000	29,000	32,000
†West Virginia—Southern	2,247,000	2,145,000	1,962,000	1,697,000
‡West Virginia—Northern	1,063,000	1,068,000	681,000	500,000
Wyoming	184,000	177,000	164,000	64,000
§Other Western States	1,000	1,000	*	*
Total bituminous & lignite	12,360,000	12,250,000	9,413,000	6,922,000
¶Pennsylvania anthracite	1,344,000	1,322,000	978,000	1,419,000
Total, all coal	13,704,000	13,572,000	10,391,000	8,341,000

†Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason and Clay counties. ‡Rest of State, including the Panhandle District and Grant, Mineral and Tucker counties. §Includes Arizona, Idaho and Oregon. ¶Data for Pennsylvania anthracite from published records of the Bureau of Mines. *Less than 1,000 tons.

Civil Engineering Construction $42,209,000 For Week

Civil engineering construction volume in continental U. S. totals $42,209,000 for the week. This volume, not including the construction by military engineers abroad, American contracts outside the country, and shipbuilding, is 1% above a week ago, and 18% higher than the average for 1944 to date, but 54% lower than the volume reported to "Engineering News-Record" for the corresponding 1943 week. The report made public on May 11, went on to say:

Private construction is 2 and 370% higher, respectively, than a week ago and a year ago. Public construction is up 0.2% compared with last week, but is 68% lower than last year.

The current week's construction brings 1944 volume to $679,227,000 for the 19-week period, a decrease of 51% from the $1,381,365,000 reported for the 1943 period. Private construction, $153,323,000, is 13% above last year, but public construction, $525,904,000, is down 58% as a result of the 4% decrease in state and municipal and the 61% drop in federal volume.

Civil engineering construction volumes for the 1943 week, last week, and the current week are:

	May 13, '43	May 4, '44	May 11, '44
Total U. S. Construction	$91,019,000	$41,856,000	$42,209,000
Private Construction	2,943,000	13,512,000	13,822,000
Public Construction	88,076,000	28,344,000	28,387,000
State and Municipal	7,435,000	4,675,000	6,807,000
Federal	80,641,000	23,669,000	21,580,000

In the classified construction groups, gains over last week are in waterworks, sewerage, commercial buildings, streets and roads, and unclassified construction. Increases over the 1943 week are in industrial and commercial buildings, and earthwork and drainage. Subtotals for the week in each class of construction are: waterworks, $580,000; sewerage, $322,000; bridges, $108,000; industrial buildings, $9,022,000; commercial buildings, $2,769,000; public buildings, $6,528,000; earthwork and drainage, $638,000; streets and roads, $6,684,000; and unclassified construction, $15,558,000.

New capital for construction purposes for the week totals $6,554,000, and is made up entirely of state and municipal bond sales. The week's new financing brings 1944 volume to $412,152,000, a decrease of 16% from the $489,286,000 reported for the nineteen-week period in 1943.

National Fertilizer Association Commodity Price Index Declines Fractionally

The weekly wholesale commodity price index, compiled by The National Fertilizer Association and made public on May 15, declined fractionally to 137.0 in the week ending May 13 from 137.1 in the preceding week. A month ago this index stood at 137.1 and a year ago at 135.4, based on the 1935-1939 average as 100. The Association's report went on to say:

The fractional decline in the general level of the all-commodity index was due principally to lower prices in the farm products group. The grains group declined slightly as lower prices were quoted for rye. The livestock group registered a marked decline. Light weight hogs were the only item to advance in this group while lower prices were quoted on lambs, ewes, and heavy weight hogs. Values on live fowls also dropped substantially. The foods group advanced as a sharp increase in white potatoes was more than sufficient to offset the slight decrease in the price of eggs. None of the other group indexes changed from the preceding week.

During the week 2 price series in the index advanced and 6 declined; in the preceding week there were 5 advances and 4 declines; and in the second preceding week there were 6 advances and 3 declines.

WEEKLY WHOLESALE COMMODITY PRICE INDEX
Compiled by The National Fertilizer Association
1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week May 13, 1944	Preceding Week May 6, 1944	Month Ago Apr. 15, 1944	Year Ago May 15, 1943
25.3	Foods	139.5	138.8	138.4	140.0
	Fats and Oils	146.1	146.1	146.1	147.9
	Cottonseed Oil	159.6	159.6	159.6	159.0
23.0	Farm Products	154.7	155.8	156.7	152.1
	Cotton	198.9	198.9	200.9	199.5
	Grains	164.8	164.9	164.8	140.8
	Livestock	144.0	145.8	146.9	146.9
17.3	Fuels	130.1	130.1	130.1	122.8
10.8	Miscellaneous commodities	132.2	132.2	132.2	130.1
8.2	Textiles	152.0	152.0	152.3	150.7
7.1	Metals	104.4	104.4	104.4	104.4
6.1	Building materials	152.4	152.4	152.4	152.2
1.3	Chemicals and drugs	127.7	127.7	127.7	126.6
.3	Fertilizer materials	117.7	117.7	117.7	117.7
.3	Fertilizers	119.7	119.7	119.7	119.8
.3	Farm machinery	104.3	104.3	104.2	104.1
100.0	All groups combined	137.0	137.1	137.1	135.4

*Indexes on 1926-1928 base were: May 13, 1944, 106.7; May 6, 106.8, and May 15, 1943, 105.5.

Market Value Of Bonds On N. Y. Stock Exchange

As of the close of business April 29, there were 1,074 bond issues, aggregating $95,013,084,742 par value listed on the New York Stock Exchange with a total market value of $95,305,318,075. This compares with 1,087 bond issues, aggregating $95,408,673,237 par value with a total market value $95,713,288,544 on Mar. 31.

In the following table listed bonds are classified by governmental and industrial groups with the aggregate market value and average price for each:

	April 29, 1944		Mar. 31, 1944	
Group—	Market Value $	Average Price $	Market Value $	Average Price $
U. S. Government (incl. N. Y. State, Cities, etc.)	78,511,722,966	103.22	78,826,477,692	103.25
U. S. companies:				
Automobile	7,809,000	102.75	7,790,000	102.50
Building	13,313,500	101.63	13,334,250	101.79
Business and office equipment	15,937,500	106.25	15,750,000	105.00
Chemical	47,205,750	102.84	47,164,125	102.75
Electrical equipment	20,300,000	101.50	35,878,125	102.51
Financial	48,604,865	103.05	53,631,746	102.87
Food	264,936,923	106.23	266,973,139	106.28
Land and realty	12,048,270	91.56	11,825,001	89.87
Machinery and metals	36,221,831	102.23	36,252,510	102.32
Mining (excluding iron)	91,965,493	70.40	91,853,572	70.31
Paper and publishing	33,592,142	103.43	33,491,304	103.12
Petroleum	628,983,958	103.82	628,668,846	103.77
Railroad	7,942,239,451	81.77	7,958,198,086	81.72
Retail merchandising	13,035,983	94.48	12,844,891	93.10
Rubber	70,701,421	104.19	70,950,188	104.56
Shipping services	18,431,775	86.61	22,274,715	86.44
Steel, iron and coke	483,095,709	102.58	482,665,623	102.49
Textiles	36,312,500	103.75	36,531,250	104.38
Tobacco	172,938,845	105.47	173,147,918	105.60
Utilities:				
Gas and electric (operating)	3,214,915,688	108.62	3,268,154,491	108.52
Gas and electric (holding)	60,093,250	107.36	59,603,500	106.48
Communications	1,168,707,388	111.27	1,174,725,874	111.47
Miscellaneous utilities	102.047,996	70.63	103,307,760	71.50
U. S. companies oper. abroad	145,440,067	81.93	140,850,805	79.36
Miscellaneous businesses	31,149,780	105.49	31,204,563	105.67
Total U. S. companies	14,680,029,085	91.07	14,777,072,282	91.07
Foreign government	1,362,668,879	67.86	1,357,832,984	67.58
Foreign companies	750,897,145	91.09	751,905,586	91.18
All listed bonds	95,305,318,075	100.31	95,713,288,544	100.32

The following table, compiled by us, gives a two-year comparison of the total market value and the total average price of bonds listed on the Exchange:

1942—	Market Value $	Average Price $	1943—	Market Value $	Average Price $
Apr. 30	57,923,553,616	95.63	May 29	81,048,543,830	99.47
May 29	59,257,509,674	95.64	June 30	80.704.321.646	99.64
June 30	59,112,072,945	95.50	July 31	80,352,221,151	99.35
July 31	61,277,620,583	95.76	Aug. 31	80,109,269,964	99.23
Aug. 31	62,720,371,752	96.08	Sept. 30	80,149,558,292	99.37
Sept. 30	62,765,776,218	96.18	Oct. 30	90,501,768,934	99.45
Oct. 31	64.843.877,284	96.48	Nov. 30	90,076,888,558	99.02
Nov. 30	64,543,971,299	96.11	Dec. 31	90,274,071,634	99.38
Dec. 31	70,583,644,622	96.70	1944—		
1943—			Jan. 31	90,544,387,232	99.78
Jan. 30	71,038,674,932	97.47	Feb. 29	96,837,573,171	100.21
Feb. 27	71,346,452,852	97.79	Mar. 31	95.713.288.544	100.32
Mar. 31	71,575,183,604	98.24	Apr. 29	95,305,318,075	100.31
Apr. 30	71,857,596,488	98.69			

Changes In NYSE Rules On Special Offerings

In making known "two important changes" in the rules covering special offerings, the New York Stock Exchange in advices addressed on April 25 to members by John C. Korn, Acting Secretary, says:

The present rules provide:

(1) that a special offering shall become automatically suspended whenever a low priced "regular way" offering enters the auction market, and

(2) that a member or member firm holding an open order for the purchase of a security which becomes the subject of a special offering; or who has received an unsolicited order for the purchase of such security; or who proposes pursuant to a discretionary authority from a customer to effect a purchase for such customer's account in a special offering, shall make a bona fide attempt to execute such purchase in the regular market at a price more advantageous to the customer than the gross offering price under the special offering.

"These two provisions have been amended to provide:

(1) that the special offering be suspended by the existence of a "regular way" offering only when the "regular way" offering is at a price which permits a purchase at a lower net cost than in the special offering, and

(2) that a member firm with any order for the purchase of a security which is the subject of a special offering shall effect such purchase in the regular market whenever a "regular way" offering is available which would permit such purchase at a lower net cost than in the special offering and that every order for a purchase in a special offering shall be accepted pursuant to this condition.

The amendments to Rules 492(c) and 496(d) giving effect to these changes were approved by the Board of Governors on April 13, 1944 and were submitted to the Securities and Exchange Commission. The Commission has declared the Plan as amended to be effective on April 25, 1944.

Rules 492(c) and 496(d), as amended, read as follows:

Rule 492(c). A special Offering shall be automatically suspended as long as an offering exists 'regular way' at a price which would permit a purchase at a lower net cost than in the Special Offering. Unless otherwise specifically exempted by the Exchange, every Special Offering shall remain open for a minimum period of 15 minutes, inclusive of any period during which it is suspended by operation of the above provision. A Special Offering which has not been completed at the 15-minute minimum period shall not be withdrawn before completion without the approval of the Exchange.

"Rule 496(d). A member or member firm with an order for the purchase of a security which is the subject of a Special Offering shall effect such purchases in the regular market whenever a 'regular way' offering is available which would permit such purchase at a lower net cost than in the Special Offering. Every order for purchase in a Special Offering shall be accepted pursuant to the above condition."

Cotton Exchange Elects

Eric Alliot, President of the New York Cotton Exchange, announced on May 13 that the Board of Managers have elected Clifford W. Michel, partner of J. S. Bache & Co., to membership. Mr. Michel is serving in the Army with the rank of Captain and is stationed in Washington, D. C.

Daily Average Crude Oil Production For Week Ended May 6, 1944 Increased 87,250 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended May 6, 1944 was 4,518,550 barrels, an increase of 87,250 barrels per day over the preceding week, and a gain of 498,050 barrels per day over the corresponding week of last year. The current figure, however, was 1,150 barrels less than the daily average figure recommended by the Petroleum Administration for War for the month of May, 1944. Daily production for the four weeks ended May 6, 1944 averaged 4,452,300 barrels. Further details as reported by the Institute follow:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,316,000 barrels of crude oil daily and produced 13,115,000 barrels of gasoline; 1,510,000 barrels of kerosene; 4,118,000 barrels of distillate fuel oil, and 8,948,000 barrels of residual fuel oil during the week ended May 6, 1944; and had in storage at the end of that week 88,267,000 barrels of gasoline; 6,673,000 barrels of kerosene; 30,438,000 barrels of distillate fuel, and 49,841,000 barrels of residual fuel oil. The above figures apply to the country as a whole, and do not reflect conditions on the East Coast.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*P. A. W. Recommendations May	*State Allowables begin. May 1	Actual Production Week Ended May 6, 1944	Change from Previous Week	4 Weeks Ended May 6, 1944	Week Ended May 8, 1943
Oklahoma	330,000	328,000	†335,550	+ 1,700	334,200	346,950
Kansas	285,000	269,600	†267,200	— 6,450	269,200	293,050
Nebraska	900		†1,150	+ 50	1,200	2,200
Panhandle Texas			91,000	— 100	91,100	91,100
North Texas			147,200	+ 3,350	144,700	131,900
West Texas			429,150	+55,150	387,800	226,750
East Central Texas			136,950	+ 9,700	129,700	124,300
East Texas			364,100	+ 1,800	362,700	339,300
Southwest Texas			307,050	+14,000	296,500	214,000
Coastal Texas			519,850	+ 1,050	519,100	375,200
Total Texas	1,972,000	‡1,976,904	1,995,300	+84,950	1,931,600	1,502,500
North Louisiana			75,100	— 250	75,700	87,000
Coastal Louisiana			283,100	+ 600	282,600	259,500
Total Louisiana	350,000	390,500	358,200	+ 350	358,300	346,500
Arkansas	76,700	77,991	79,950	+ 400	79,700	71,850
Mississippi	43,000		41,600	— 1,300	42,000	54,550
Alabama			150	+ 100	100	----
Florida			50	----	50	----
Illinois	220,000		220,150	+13,900	210,900	236,150
Indiana	14,000		14,550	+ 800	14,000	15,250
Eastern— (Not incl. Ill., Ind., Ky.)	73,800		71,400	— 2,600	72,500	74,050
Kentucky	23,000		22,600	+ 2,700	22,200	23,150
Michigan	54,000		51,950	— 150	51,300	60,400
Wyoming	94,000		91,150	— 5,500	93,800	94,500
Montana	24,400		21,400	----	21,400	20,500
Colorado	7,200		8,400	+ 100	8,400	6,650
New Mexico	111,700	111,700	112,100	----	112,300	97,200
Total East of Calif	3,679,700		3,692,850	+89,050	3,623,200	3,245,500
California	840,000	§840,000	825,700	— 1,800	829,100	775,000
Total United States	4,519,700		4,518,550	+87,250	4,452,300	4,020,500

*P.A.W. recommendations and state allowables, as shown above, represent the production of crude oil only, and do not include amounts of condensate and natural gas derivatives to be produced.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m. May 4, 1944

‡This is the net basic allowable as of May 1 calculated on a 31-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 1 to 14 days, the entire state was ordered shut down for 7 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 7 days shutdown time during the calendar month. §Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED MAY 6, 1944

(Figures in Thousands of barrels of 42 Gallons Each)

Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a Bureau of Mines basis

District—	Daily Refining Capacity Potential Rate	Daily Refining Capacity % Reporting	Crude Runs to Stills Daily Average	Crude Runs to Stills % Operated	§Gasoline Production at Refineries Includ. Natural Blended	‡Stocks Finished and Unfinished Gasoline	‡Stocks of Gas Oil and Distillate Fuel Oil	‡Stocks of Residual Fuel Oil
*Combin'd: East Coast Texas Gulf, Louisiana Gulf, North Louisiana-Arkansas, and inland Texas	2,518	90.3	2,209	87,7	6,448	38,785	15,048	14,633
Appalachian— District No. 1	130	83.9	95	73.1	291	2,143	844	213
District No. 2	47	87.2	57	121.3	161	1,212	355	150
Ind., Ill., Ky.	824	85.2	702	85.2	2.516	19,753	4,933	2,633
Okla., Kans., Mo.	418	80.2	350	83.7	1.169	8,443	1,449	1,226
Rocky Mountain— District No. 3	8	26.9	10	125.0	36	75	6	31
District No. 4	141	58.3	91	64.5	332	2,172	323	528
California	817	89.9	802	98.2	2.162	15,684	7,480	30,427
Total U. S. B. of M. basis May 6, 1944	4,903	87.3	4,316	88.0	13,115	†88,267	30,438	49,841
Total U. S. B. of M. basis April 29, 1944	4,903	87.3	4,300	87.7	13,126	88,462	30,236	49,985
U. S. Bur. of Mines basis May 8, 1943			3,744		10,669	87,970	30,854	67,659

*At the request of the Petroleum Administration for War. †Finished, 76,259,000 barrels; unfinished, 12,008,000 barrels. ‡At refineries, at bulk terminals, in transit and in pipe lines. §Not including 1,510,000 barrels of kerosine, 4,118,000 barrels of gas oil and distillate fuel oil and 8,948,000 barrels of residual fuel oil produced during the week ended May 6, 1944, which compares with 1,592,000 barrels, 4,284,000 barrels and 8,398,000 barrels, respectively, in the preceding week and 1,399,000 barrels, 3,717,000 barrels and 7,781,000 barrels, respectively, in the week ended May 8, 1943.

Note—Stocks of kerosine at May 6, 1944 amounted to 6,673,000 barrels, as against 6,585,000 barrels a week earlier and 5,588,000 barrels a year before.

Trading On New York Exchanges

The Securities and Exchange Commission made public on May 6 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended April 22, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended April 22 (in round-lot transactions) totaled 1,271,036 shares, which amount was 15.08% of the total transactions on the Exchange of 4,214,500 shares. This compares with member trading during the week ended May 6 of 1,069,796 shares, or 14.70% of the total trading of 3,639,260 shares. On the New York Curb Exchange, member trading during the week ended April 22 amounted to 264,790 shares, or 13.41% of the total volume on that exchange of 987,531 shares; during the April 15 week trading for the account of Curb members of 278,495 shares was 14.35% of total trading of 970,545 shares.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED APRIL 22, 1944

	Total for Week	†%
A. Total Round-Lot Sales:		
Short sales	139,420	
‡Other sales	4,075,080	
Total sales	4,214,500	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	341,650	
Short sales	43,320	
‡Other sales	322,250	
Total sales	365,570	8.39
2. Other transactions initiated on the floor—		
Total purchases	141,810	
Short sales	15,000	
‡Other sales	171,010	
Total sales	186,010	3.89
3. Other transactions initiated off the floor—		
Total purchases	109,776	
Short sales	7,510	
‡Other sales	118,710	
Total sales	126,220	2.80
4. Total—		
Total purchases	593,236	
Short sales	65,830	
‡Other sales	611,970	
Total sales	677,800	15.08

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED APRIL 22, 1944

	Total for Week	†%
A. Total Round-Lot Sales:		
Short sales	7,815	
‡Other sales	979,716	
Total sales	987,531	
B. Round-Lot Transactions for Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	58,180	
Short sales	4,125	
‡Other sales	77,760	
Total sales	81,885	7.09
2. Other transactions initiated on the floor—		
Total purchases	22,205	
Short sales	1,425	
‡Other sales	17,210	
Total sales	18,635	2.07
3. Other transactions initiated off the floor—		
Total purchases	42,920	
Short sales	650	
‡Other sales	40,315	
Total sales	40,965	4.25
4. Total—		
Total purchases	123,305	
Short sales	6,200	
‡Other sales	135,285	
Total sales	141,485	13.41
C. Odd-Lot Transactions for Account of Specialists—		
Customers' short sales	0	
§Customers' other sales	39,098	
Total purchases	39,098	
Total sales	31,893	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

Gen. MacArthur Asserts He Does Not Covet Nor Would He Accept Nomination For Pres.

The statement that he neither desired nor would accept nomination for President of the United States, was made by General Douglas MacArthur on April 30, according to Associated Press advices from "Advanced Allied Headquarters," New Guinea, from which we also quote:

Noting "a widespread public opinion that it is detrimental to our war effort" for an active military leader to be considered for the office, he said:

"I request that no action be taken that would link my name in any way with the nomination."

"I do not covet it nor would I accept it," read his brief statement concerning movements in the United States to make him the Republican Presidential nominee.

"It was his first unequivocal and positive reply to individuals and groups who long have been urging the General either to come out into the open or to be a silent but draftable candidate.

"The flat statement capped a series of developments in which a Republican Representative in Congress from Nebraska had urged the General to be a silent candidate and General MacArthur had expressed appreciation of the interest manifested but did not make clear whether he would accept if drafted.

"The complete text of the statement read:

"Since my return from the Hollandia operations I had brought to my attention a widespread public opinion that it is detrimental to our war effort to have an officer in high position on active service at the front considered for nomination for the office of President.

"I have on several occasions announced I was not a candidate for the position. Nevertheless, in view of these circumstances, in order to make my position unequivocal, I request that no action be taken that would link my name in any way with the nomination.

"I do not covet it nor would I accept it."

In the advices from which the above is taken (as given in the New York "Times,") it was also noted:

[The Hollandia operation referred to was the invasion and conquest within less than a week of a Dutch New Guinea sector which has three vital airdromes, within bombing range of the Philippines. American warplanes now are using those fields.]

[General MacArthur's statement was broadcast by the Melbourne radio to Allied forces in the areas north of Australia.]

"Neither General MacArthur nor his spokesman had any comment to make on his statement, but the war correspondents at his advanced headquarters did not fail to note the significant contrast between today's unequivocal statement and the wording of a statement which he issued after publication of an exchange of letters with Representative A. L. Miller of Nebraska.

In the statement he said:

"I have not sought the office nor do I seek it."

Today he said:

"I do not covet it nor would I accept it."

General MacArthur's statement today backed up a previous one he had made some time ago when mention of his Presidential possibilities in the United States was in the early discussion stages. At that time he stated that he was a military man who had started his career as a soldier and hoped to finish as one.

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on May 6 a summary for the week ended April 29 of complete figures showing the daily volume of stock transactions for odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended April 29, 1944

	Total for Week
Odd-Lot Sales by Dealers (Customers' purchases)	
Number of orders	14,820
Number of shares	400,049
Dollar value	$16,720,537
Odd-Lot Purchases by Dealers— (Customers' sales)	
Number of Orders:	
Customers' short sales	296
*Customers' other sales	14,740
Customers' total sales	15,036
Number of Shares:	
Customers' short sales	9,377
*Customers' other sales	370,868
Customers' total sales	380,245
Dollar value	$13,671,764
Round-Lot Sales by Dealers—	
Number of Shares:	
Short sales	170
†Other sales	100,940
Total sales	101,110
Round-Lot Purchases by Dealers:	
Number of shares	126,770

*Sales marked "short exempt" are reported with "other sales."

†Sales to offset customers' odd-lot orders, and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Federal Reserve March Business Indexes

The Board of Governors of the Federal Reserve System issued on April 26 its monthly indexes of industrial production, factory employment and payrolls, etc. At the same time, the Board made available its customary summary of business conditions. The indexes for March, together with comparisons for a month and a year ago, follow:

BUSINESS INDEXES

1935-39 average = 100 for industrial production and freight carloadings;
1939 = 100 for factory employment and payrolls;
1923-25 average = 100 for all other series

	Adjusted for —Seasonal Variation— 1944 Mar.	Feb.	1943 Mar.	Without Seasonal Adjustment 1944 Mar.	Feb.	1943 Mar.
Industrial production—						
Total	*242	244	235	*239	241	232
Manufactures—						
Total	*260	262	253	*258	259	251
Durable	*366	368	351	*364	367	350
Nondurable	*175	177	174	*171	173	171
Minerals	*139	143	133	*133	137	127
Construction contracts, value—						
Total	*39	45	85	*39	38	84
Residential	*16	21	42	*17	18	44
All other	*58	64	119	*57	55	117
Factory employment—						
Total	*164.0	166.9	168.1	*163.6	165.9	167.6
Durable goods	*225.2	228.8	224.7	*224.9	228.1	224.3
Nondurable goods	*115.8	118.1	123.5	*115.2	116.9	122.9
Factory payrolls—						
Total	---	---	---	†	327.6	304.5
Durable goods	---	---	---	†	460.1	421.0
Nondurable goods	---	---	---	†	198.0	190.7
Freight carloadings	140	143	138	132	133	130
Department store sales, value	*154	151	136	*143	120	121
Department store stocks, value	†	*105	91	†	*101	93

*Preliminary or estimated. †Data not yet available.

Note—Production, carloading, and department store sales indexes based on daily averages. To convert durable manufactures, nondurable manufactures, and minerals indexes to points in total index, shown in Federal Reserve Chart Book, multiply durable by .379, nondurable by .469, and minerals by .152.

Construction contract indexes based on 3-month moving averages, centered at second month, of F. W. Dodge data for 37 Eastern States. To convert indexes to value figures, shown in the Federal Reserve Chart Book, multiply total by $410,269,000, residential by $184,137,000, and all other by $226,132,000.

Employment index, without seasonal adjustment, and payrolls index compiled by Bureau of Labor Statistics.

INDUSTRIAL PRODUCTION

(1935-39 average = 100)

	Adjusted for —Seasonal Variation— 1944 Mar.	Feb.	1943 Mar.	Without Seasonal Adjustment 1944 Mar.	Feb.	1943 Mar.
Manufactures—						
Iron and steel	214	212	210	214	212	210
Pig iron	206	‡207	202	206	‡207	202
Steel	238	236	234	238	236	234
Open hearth	191	188	188	191	188	188
Electric	572	580	559	572	580	559
Machinery	*456	460	436	*456	460	436
Transportation equipment	*740	749	692	*740	749	692
Automobiles	*231	235	204	*231	235	204
Nonferrous metals and products	*286	285	260	*286	285	260
Smelting and refining	*297	299	255	*297	299	255
Lumber and products	*126	130	129	*120	120	123
Lumber	*116	122	119	*108	107	110
Furniture	*145	146	149	*145	146	149
Stone, clay and glass products	*164	168	175	*157	160	168
Plate glass	59	58	35	59	58	35
Cement	†	88	154	†	67	126
Clay products	*125	126	142	*119	121	136
Gypsum and plaster products	*198	202	202	*191	193	196
Abrasive & asbestos products	*302	314	308	*302	314	308
Textiles and products	*153	152	*158	*153	152	158
Cotton consumption	150	151	166	150	151	166
Rayon deliveries	*191	187	181	*191	187	181
Wool textiles	†	159	163	†	159	163
Leather products	*111	111	117	*111	114	117
Tanning	†	105	120	†	113	119
Cattle hide leathers	†	110	128	†	119	128
Calf and kip leathers	†	76	92	†	79	90
Goat and kid leathers	†	84	93	†	88	93
Sheep and lamb leathers	†	160	160	†	177	155
Shoes	*115	114	115	*115	114	115
Manufactured food products	*159	158	143	*142	143	128
Wheat flour	*117	125	118	*114	127	116
Meatpacking	*204	215	151	*189	207	140
Other manufactured foods	*160	158	146	*142	143	130
Processed fruits & vegetables	*159	143	125	*88	90	69
Tobacco products	123	119	129	117	114	123
Cigars	92	92	93	92	92	93
Cigarettes	154	145	159	143	136	148
Other tobacco products	73	79	89	73	77	89
Paper and products	†	138	141	†	138	141
Paperboard	147	148	150	147	148	150
Newsprint production	†	74	90	†	74	90
Printing and publishing	*101	102	112	*103	101	114
Newsprint consumption	83	85	97	86	83	101
Petroleum and coal products	†	228	166	†	228	166
Petroleum refining	†	236	166	†	236	166
Gasoline	*131	128	99	*131	128	99
Fuel oil	†	161	137	†	161	137
Lubricating oil	†	126	118	†	124	117
Kerosene	†	124	118	†	130	120
Coke	*173	176	169	*173	176	169
Byproduct	*164	166	158	*164	166	158
Beehive	*478	503	551	*478	503	551
Chemicals	*343	360	370	*346	360	372
Rayon	*231	229	204	*231	229	204
Industrial chemicals	*404	406	341	*404	406	341
Rubber	*242	243	222	*242	243	222
Minerals—						
Fuels	*141	145	133	*141	145	133
Bituminous coal	*155	162	161	*155	162	161
Anthracite	*123	143	128	*123	143	128
Crude petroleum	*137	139	122	*137	139	122
Metals	†	128	131	†	87	90
Iron ore	†	†	†	†	72	79

*Preliminary or estimated. †Data not yet available. ‡Revised.

FREIGHT CARLOADINGS

(1935-39 average = 100)

Coal	140	149	144	140	149	144
Coke	185	180	187	187	191	189
Grain	136	148	142	125	145	131
Livestock	131	135	117	103	108	92
Forest products	141	146	133	141	140	133
Ore	174	193	193	51	48	56
Miscellaneous	149	147	145	142	138	138
Merchandise, l.c.l.	67	67	61	67	64	62

Note—To convert coal and miscellaneous indexes to points in total index, shown in the Federal Reserve Chart Book, multiply coal by .213 and miscellaneous by .548.

Wholesale Commodity Index Unchanged In Week Ended May 6, Labor Dept. Reports

Although prices for certain agricultural commodities and building materials continued to move upward at a moderate rate, the Bureau of Labor Statistics' composite index of nearly 900 price series remained unchanged at 103.7% of the 1926 average during the first week of May, it was indicated by the U. S. Department of Labor on May 11, which added that "the all commodity index is at the same level it was for the corresponding weeks of last month and last year."

The Department further said:

"Farm Products and Foods—Average prices for farm products in primary markets rose 0.2% during the week as a result of higher quotations for rye, wheat and hay, for live poultry and eggs, and for lemons and potatoes. Lower prices were reported for hogs and sheep, for cotton and for fresh milk. Apples went up in the New York market and down in the Chicago market. Although farm product prices have moved upward during the past two weeks, they are 0.6% below their early April level and 1.2% lower than at this time last year.

"With increases of over 2% in prices for fresh fruits and vegetables and more than 1% for dressed poultry, average prices for foods at the primary market level rose 0.3% in the first week of May. Potatoes were substantially higher in most markets. Lemons and eggs advanced seasonally. Despite the upward tendency in food prices during the past two weeks, they are 4% lower than for the first week of May a year ago.

"Industrial Commodities—OPA action in making upward adjustments in ceiling prices for certain building materials, particularly cement, Douglas fir lumber and millwork, was reflected in the Bureau's index of building materials, which rose 0.3% during the week. Rosin and turpentine continued to decline and a further decrease, 2.8%, occurred in prices for quicksilver."

The Department's announcement also contains the following notation:

Note—During the period of rapid changes caused by price controls, materials allocation and rationing, the Bureau of Labor Statistics will attempt promptly to report changing prices. Indexes marked (*), however, must be considered as preliminary and subject to such adjustment and revision as required by later and more complete reports.

The following tables show (1) index numbers for the principal groups of commodities for the past three weeks, for April 8, 1944 and May 8, 1943, and the percentage changes from a week ago, a month ago and a year ago, and (2) percentage changes in subgroup indexes from April 29 to May 6, 1944:

WHOLESALE PRICES FOR WEEK ENDED MAY 6, 1944

(1926=100)

Commodity Groups—	5-6 1944	4-29 1944	4-22 1944	4-8 1944	5-8 1943	Percentage change to May 6, 1944 from— 4-29 1944	4-8 1944	5-8 1943
All commodities	*103.7	*103.7	*103.6	*103.7	103.7	0	0	0
Farm products	*123.3	*123.1	*122.9	*124.1	124.8	+0.2	—0.6	— 1.2
Foods	105.0	104.7	104.4	105.0	109.4	+0.3	0	— 4.0
Hides and leather products	117.6	117.6	117.6	117.6	118.4	0	0	— 0.7
Textile products	97.3	97.3	97.3	97.3	96.9	0	0	+ 0.4
Fuel and lighting materials	*83.7	*83.7	*83.7	*83.6	81.6	0	+0.1	+ 2.6
Metals and metal products	*103.8	*103.8	*103.8	*103.8	103.9	0	0	— 0.1
Building materials	115.0	114.7	114.6	114.7	110.4	+0.3	+0.3	+ 4.2
Chemicals and allied products	105.4	105.4	105.4	105.4	100.2	0	0	+ 5.2
Housefurnishing goods	106.0	106.0	106.0	105.9	104.2	0	+0.1	+ 1.7
Miscellaneous commodities	93.3	93.3	93.3	93.3	91.4	0	0	+ 2.1
Raw materials	*113.3	*113.2	*113.0	*113.6	113.2	+0.1	—0.3	+ 0.1
Semimanufactured articles	93.5	93.5	93.5	93.5	92.9	0	0	+ 0.6
Manufactured products	*101.0	*101.0	*100.9	*100.9	101.0	0	+0.1	0
All commodities other than farm products	*99.5	*99.5	*99.4	*99.4	99.1	0	+0.1	+ 0.4
All commodities other than farm products and foods	*98.6	*98.5	*98.5	*98.5	96.9	+0.1	+0.1	+ 1.8

*Preliminary.

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM APRIL 29, 1944 TO MAY 6, 1944

Increases

Fruits and vegetables	2.1	Lumber	0.4
Cement	1.8	Grains	0.3
Other farm products	0.7	Cotton goods	0.2
Other foods	0.1		

Decreases

Livestock and poultry	0.7	Dairy products	0.4
Paint and paint materials	0.4		

Finished Steel Shipments By Subsidiaries Of U. S. Steel Corporation Declined in April

Shipments of finished steel products by subsidiaries of the United States Steel Corp. in April amounted to 1,756,797 net tons, a decrease of 117,998 tons when compared with March (which was the peak month for all time) and an increase of 125,969 tons over April, 1943.

For the 25 working days in April, 1944, shipments averaged 70,272 net tons per day. This compared with 69,437 net tons per day for the 27 days in March. In April of last year shipments averaged 63,724 net tons per day for 26 working days.

In the table below we list the figures by months for various periods since January, 1939:

	1944	1943	1942	1941	1940	1939
January	1,730,787	1,685,993	1,738,893	1,682,454	1,145,592	870,866
February	1,755,772	1,691,592	1,616,587	1,548,451	1,009,256	747,427
March	1,874,795	1,772,397	1,780,938	1,720,366	931,905	845,108
April	1,756,797	1,630,828	1,758,894	1,687,674	907,904	771,752
May	------	1,706,543	1,834,127	1,745,295	1,084,057	795,689
June	------	1,552,663	1,774,068	1,668,637	1,209,684	607,562
July	------	1,660,762	1,765,749	1,666,667	1,296,887	745,364
August	------	1,704,289	1,788,650	1,753,665	1,455,604	885,636
September	------	1,664,577	1,703,570	1,664,227	1,392,838	1,086,683
October	------	1,794,968	1,787,501	1,851,279	1,572,408	1,345,855
November	------	1,660,594	1,665,545	1,624,186	1,425,352	1,406,205
December	------	1,719,624	1,849,635	1,846,036	1,544,623	1,443,969
Total by mos.	------	20,244,830	21,064,157	20,458,937	14,976,110	11,752,116
Yearly adjust.	------	*97,214	*449,020	*42,333	37,639	*44,865
Total	------	20,147,616	20,615,137	20,416,604	15,013,749	11,707,251

*Decrease.

Note—The monthly shipments as currently reported during the year 1942, are subject to adjustment reflecting annual tonnage reconciliations. These will be comprehended in the cumulative yearly shipments as stated in the annual report.

Factory Workers' Hours Earnings Drop In February

Factory workers put in a million and a quarter fewer manhours per week in February than in January, reducing total manufacturing hours to 616 million, Secretary of Labor Frances Perkins reported on April 27. "The average number of hours worked per man per week was 45.4, slightly longer than in January," she said. "However, the decline in employment of 74,000 more than offset the slight increase in the work-week," she said.

Secretary Perkins further stated:

"In comparison with November, 1943, the peak month of manhour utilization, there were almost 21 million fewer hours of manufacturing time in the midweek of February. Inasmuch as the February work-week was approximately the same length as in November 1943, declines in employment were entirely responsible for the decrease in total hours.

"Four of the durable-goods groups reported more hours per week in February than in January. The decline of approximately one million hours in the machinery group and in the automobile group reflected a shorter workweek coupled with declines in employment. The declines of 500,000 hours in the transportation equipment group and of 130,000 in the nonferrous group occurred in spite of a longer work-week. The increase in total man-hours in all but one of the remaining groups was due to lengthening of the work-week and occurred in spite of declines in employment. The largest increase was reported by the lumber group. Only in the electrical machinery group did the increase in employment serve to offset the decline in the workweek so that no change in the aggregate hours occurred.

"Of the 11 nondurable groups, 5 showed declines in total manufacturing hours, the largest declines occurring in the food and chemical groups. In the food group, a seasonal employment decline of 7,000, coupled with a slightly shorter work-week, resulted in almost 700,000 fewer hours of manufacturing time while the decline in the chemicals group was due entirely to declines in employment reflecting cut-backs in production.

"Weekly earnings in February averaged $45.54. The earnings in the durable-goods group in which most of the war production is concentrated amounted to $51.48, while the earnings in the nondurable group averaged $36.33. Workers in the textile group of industries still average less than $30.00 a week.

"The average hours per week in anthracite and bituminous coal mining increased over the past month. The work-week in the anthracite mines averaged almost eight hours more in February than in January reflecting a longer scheduled work-week and a good deal of Sunday work. Weekly earnings in the anthracite mines jumped $13.00 between January and February reflecting premium payments for Sunday work. Weekly earnings in this industry now average $58.12 while in bituminous coal mines the average is $52.99."

Bell Aide To Morgenthau

The appointment has been announced of Charles S. Bell, of Chevy Chase, Md., as Administrative Assistant to Secretary of the Treasury Henry Morgenthau, Jr. Mr. Bell succeeds the late W. Norman Thompson, whose assistant he was. During the first World War he was a cost accountant for the War Department. Subsequently, he served as assistant to the Chairman of the U. S. Shipping Board. In 1939 he became executive secretary of the President's Committee on Civil Service.

Revenue Freight Car Loadings During Week Ended May 6, 1944 Fell Off 14,879 Cars

Loading of revenue freight for the week ended May 6, 1944, totaled 836,978 cars, the Association of American Railroads announced on May 11. This was an increase above the corresponding week of 1943 of 20,440 cars, or 2.5%, but a decrease below the same week in 1942 of 2,308 cars or 0.3%.

Loading of revenue freight for the week of May 6, decreased 14,879 cars, or 1.8% below the preceding week.

Miscellaneous freight loading totaled 377,134 cars, a decrease of 13,777 cars below the preceding week, and a decrease of 12,536 cars below the corresponding week in 1943.

Loading of merchandise less than carload lot freight totaled 106,346 cars, a decrease of 867 cars below the preceding week, but an increase of 8,221 cars above the corresponding week in 1943.

Coal loading amounted to 172,106 cars, a decrease of 3,101 cars below the preceding week, but an increase of 29,966 cars above the corresponding week in 1943.

Grain and grain products loading totaled 38,388 cars, an increase of 532 cars above the preceding week but a decrease of 7,233 cars below the corresponding week in 1943. In the Western Districts alone, grain and grain products loading for the week of May 6, totaled 22,920 cars, an increase of 417 cars above the preceding week but a decrease of 7,578 cars below the corresponding week in 1943.

Live stock loading amounted to 15,857 cars, an increase of 354 cars above the preceding week, and an increase of 169 cars above the corresponding week in 1943. In the Western Districts alone loading of live stock for the week of May 6 totaled 12,153 cars, an increase of 534 cars above the preceding week, and an increase of 214 cars above the corresponding week in 1943.

Forest Products loading totaled 43,657 cars, an increase of 763 cars above the preceding week but a decrease of 1,135 cars below the corresponding week in 1943.

Ore loading amounted to 69,083 cars, an increase of 1,605 cars above the preceding week and an increase of 2,104 cars above the corresponding week in 1943.

Coke loading amounted to 14,407 cars, a decrease of 388 cars below the preceding week, but an increase of 884 cars above the corresponding week in 1943.

All districts reported increases compared with the corresponding week in 1943 except the Centralwestern and Southwestern. All districts reported decreases compared with 1942, except the Eastern, Allegheny, Centralwestern and Southwestern.

	1944	1943	1942
5 Weeks of January	3,796,477	3,531,811	3,858,479
4 weeks of February	3,159,492	3,055,725	3,122,942
4 weeks of March	3,135,155	3,073,445	3,174,781
5 weeks of April	4,068,625	3,924,981	4,209,907
Week of May 6	836,978	816,538	839,286
Total	14,996,727	14.402,500	15,205,395

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended May 6, 1944. During the period 68 roads showed increases when compared with the corresponding week a year ago.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS (NUMBER OF CARS) WEEK ENDED MAY 6

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1944	1943	1942	1944	1943
Eastern District—					
Ann Arbor	256	245	434	1,477	1,540
Bangor & Aroostook	2,072	1,053	1,806	486	345
Boston & Maine	7,455	6,199	6,372	15,645	13,808
Chicago, Indianapolis & Louisville	1,262	1,409	1,307	2,057	1,881
Central Indiana	47	36	31	44	44
Central Vermont	1,046	1,008	1,003	2,317	2,239
Delaware & Hudson	5,967	5,647	6,829	12,908	10,850
Delaware, Lackawanna & Western	7,853	7,118	8,154	11,857	12,575
Detroit & Mackinac	257	334	299	115	113
Detroit, Toledo & Ironton	1,670	1,777	1,738	1,433	1,405
Detroit & Toledo Shore Line	335	302	280	2,871	2,222
Erie	14,034	11,553	14,806	17,272	18,333
Grand Trunk Western	3,810	3,854	3,771	8,993	7,852
Lehigh & Hudson River	190	210	252	3,105	2,370
Lehigh & New England	2,314	1,972	2,031	1,758	1,379
Lehigh Valley	9,137	8,149	9,398	17,958	14,424
Maine Central	2,169	2,241	2,156	3,755	2,286
Monongahela	6,367	5,355	6,963	351	370
Montour	2,576	2,071	2,443	23	58
New York Central Lines	49,007	54,725	45,752	57,475	46,719
N. Y., N. H. & Hartford	10,139	10,006	9,704	19,846	17,501
New York, Ontario & Western	1,088	949	1,008	3,271	2,009
New York, Chicago & St. Louis	6,973	6,948	7,561	15,935	14,596
N. Y., Susquehanna & Western	607	565	472	1,953	1,708
Pittsburgh & Lake Erie	7,832	7,272	8,001	8,781	7,422
Pere Marquette	4,744	4,906	5,443	8,440	7,236
Pittsburg & Shawmut	876	881	874	22	32
Pittsburg, Shawmut & North	300	335	407	223	231
Pittsburgh & West Virginia	1,314	1,110	1,162	2,532	3,532
Rutland	406	300	370	1,112	988
Wabash	5,319	5,477	5,146	11,200	12,788
Wheeling & Lake Erie	6,029	5,196	5,655	4,479	5,391
Total	163,451	159,203	161,628	239,694	214,247
Allegheny District—					
Akron, Canton & Youngstown	706	713	682	1,184	1,164
Baltimore & Ohio	46,493	40,434	41,619	28,723	27,153
Bessemer & Lake Erie	6,334	5,953	7,690	2,083	1,688
Buffalo Creek & Gauley	*348	253	291	*4	4
Cambria & Indiana	1,738	1,578	1,980	6	6
Central R. R. of New Jersey	7,219	6,910	7,414	20,720	21,212
Cornwall	61	665	765	38	55
Cumberland & Pennsylvania	193	210	299	13	17
Ligonier Valley	133	130	150	25	52
Long Island	1,396	1,216	845	3,814	3,581
Penn-Reading Seashore Lines	1,771	1,779	1,543	2,643	3,237
Pennsylvania System	86,551	80,787	84,158	67,980	60,673
Reading Co.	14,577	14,672	15,060	29,712	26,812
Union (Pittsburgh)	19,605	22,124	21,065	7,341	7,231
Western Maryland	4,080	3,357	3,962	12,868	11,785
Total	191,205	180.781	187,523	177,154	164,670
Pocahontas District—					
Chesapeake & Ohio	28,905	24,833	29,587	14,273	11,487
Norfolk & Western	21,530	18,907	23,004	7,643	7,130
Virginian	4,376	4,054	4,421	2,138	2,177
Total	54,811	47,794	57,012	24,054	20,794

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1944	1943	1942	1944	1943
Southern District—					
Alabama, Tennessee & Northern	349	258	429	475	289
Atl. & W. P.—W. R. R. of Ala.	831	700	746	2,689	2,303
Atlanta, Birmingham & Coast	849	802	703	1,581	1,421
Atlantic Coast Line	13,513	14,050	13,441	10,236	11,103
Central of Georgia	3,912	4,181	3,883	4,831	4,473
Charleston & Western Carolina	445	564	420	1,785	1,698
Clinchfield	1,703	1,573	1,703	3,184	2,326
Columbus & Greenville	239	351	304	235	175
Durham & Southern	165	109	243	813	662
Florida East Coast	2,765	2,965	2,042	1,672	2,061
Gainesville Midland	59	46	44	142	103
Georgia	1,349	1,362	1,169	2,880	2,505
Georgia & Florida	364	319	415	732	552
Gulf, Mobile & Ohio	3,903	3,648	3,913	4,284	4,698
Illinois Central System	27,046	25,614	27,182	16,440	18,882
Louisville & Nashville	24,905	22,936	26,265	12,834	11,960
Macon, Dublin & Savannah	163	256	146	1,099	1,072
Mississippi Central	275	238	281	534	465
Nashville, Chattanooga & St. L.	3,179	3,256	3,571	4,825	5,048
Norfolk Southern	1,085	1,266	1,392	1,490	1,386
Piedmont Northern	389	351	375	1,177	1,046
Richmond, Fred. & Potomac	459	460	547	12,137	10,982
Seaboard Air Line	11,045	12,294	10,961	9,140	8,311
Southern System	23,821	22,062	23,817	25,489	23,953
Tennessee Central	711	545	732	885	793
Winston-Salem Southbound	129	114	103	1,040	952
Total	123,653	120,320	124,827	122,629	119,219
Northwestern District—					
Chicago & North Western	19,460	19,343	20,980	13,765	12,629
Chicago Great Western	2,393	2,604	2,282	3,446	2,948
Chicago, Milw., St. P. & Pac.	20,505	19,332	19,182	11,227	11,353
Chicago, St. Paul, Minn. & Omaha	3,201	3,269	3,407	3,418	3,695
Duluth, Missabe & Iron Range	21,035	18,619	26,800	234	277
Duluth, South Shore & Atlantic	687	1,121	1,503	585	469
Elgin, Joliet & Eastern	8,852	8,678	10,393	11,610	9,745
Ft. Dodge, Des Moines & South	388	432	536	87	101
Great Northern	20,697	19,505	23,313	6,788	5,793
Green Bay & Western	467	453	533	962	862
Lake Superior & Ishpeming	1,729	1,245	3,081	44	37
Minneapolis & St. Louis	1,984	1,875	1,883	2,578	2,378
Minn., St. Paul & S. S. M.	6,319	6,034	6,969	4,197	2,974
Northern Pacific	10,365	10,130	10,477	5,910	5,400
Spokane International	112	176	151	673	568
Spokane, Portland & Seattle	2,728	2,443	2,422	3,273	3,447
Total	120,922	115,259	133,912	68,797	62,676
Central Western District—					
Atch., Top. & Santa Fe System	21,512	22,094	21,325	14,711	12,575
Alton	2,945	3,058	2,979	3,297	3,647
Bingham & Garfield	414	493	692	101	103
Chicago, Burlington & Quincy	17,298	18,018	14,671	13,400	12,265
Chicago & Illinois Midland	3,315	2,738	2,726	811	679
Chicago, Rock Island & Pacific	10,730	12,548	10,693	14,273	13,475
Chicago & Eastern Illinois	2,457	2,534	2,377	6,358	6,070
Colorado & Southern	656	737	786	2,199	2,314
Denver & Rio Grande Western	3,312	3,091	2,810	6,470	6,102
Denver & Salt Lake	700	695	472	34	23
Fort Worth & Denver City	870	921	973	1,377	2,455
Illinois Terminal	2,012	1,614	1,771	2,103	2,314
Missouri-Illinois	949	1,149	1,270	416	370
Nevada Northern	1,903	2,012	1,953	124	124
North Western Pacific	846	1,036	1,093	760	636
Peoria & Pekin Union	2	3	19	0	0
Southern Pacific (Pacific)	30,590	31,070	29,358	14,616	13,954
Toledo, Peoria & Western	295	365	248	2,008	2,036
Union Pacific System	14,231	12,732	12,090	18,265	16,980
Utah	521	541	486	4	3
Western Pacific	1,972	2,043	1,753	4,391	3,210
Total	117,530	119,482	110,545	105,718	99,335
Southwestern District—					
Burlington-Rock Island	273	1,126	130	428	228
Gulf Coast Lines	6,807	7,002	4,890	2,319	2,477
International-Great Northern	2,111	2,049	*3,073	4,177	4,102
Kansas, Oklahoma & Gulf	252	383	187	1,065	1,175
Kansas City Southern	5.609	5,588	5,199	2,590	3,100
Louisiana & Arkansas	3,240	3,836	3,475	2,452	2,978
Litchfield & Madison	302	171	279	1,265	1,048
Midland Valley	580	696	734	501	272
Missouri & Arkansas	185	148	184	473	442
Missouri-Kansas-Texas Lines	5,929	6,051	4,695	5,017	6,193
Missouri Pacific	12,373	17,562	15,501	19,208	18,808
Quanah Acme & Pacific	49	60	106	382	266
St. Louis-San Francisco	8,171	7,881	8,223	9,489	8,351
St. Louis Southwestern	2,826	3,270	3,040	7,699	7,494
Texas & New Orleans	11,951	13,502	9,505	4,547	5,373
Texas & Pacific	4,628	5,238	4,428	7,098	7,735
Weatherford M. W. & N. W.	106	115	147	53	38
Wichita Falls & Southern	14	21	33	21	25
Total	65,406	73,699	63,839	68,784	70,105

Note—Previous year's figures revised.
*Previous week's figure.

Weekly Statistics Of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1944—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity Current	Percent of Activity Cumulative
Feb. 5	185,069	151,102	628,048	97	93
Feb. 12	154,797	151,870	630,449	97	94
Feb. 19	130,252	148,533	609,429	96	94
Feb. 26	151,980	139,044	621,875	93	94
March 4	178,375	146,926	650,606	95	94
March 11	152,627	144,761	655,682	95	94
March 18	136,105	150,940	639,537	95	94
March 25	125,806	147,604	613,978	97	94
April 1	138,724	141,959	607,537	93	94
April 8	179,056	144,422	635,727	94	94
April 15	145,936	143,883	636,176	92	94
April 22	138,712	158,871	610,555	98	94
April 29	147,768	156,041	601,880	98	95
May 6	186,666	158,534	628,495	98	95

Notes—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

NYSE Short Interest Higher On May 9

The New York Stock Exchange announced on April 28 settlement date, as compiled from information obtained by the New York Stock Exchange from its members and member firms, was 1,090,581 shares, compared with 1,028,489 shares on March 31, both totals excluding short positions carried in the odd-lot accounts of all odd-lot dealers. As of the April 28 settlement date, the total short interest in all odd-lot dealers' accounts was 37,357 shares, compared with 34,923 shares on March 31.

This announcement of the Exchange added:

Of the 1,242 individual stock issues listed on the Exchange on April 28, there were 59 issues in which a short interest of 5,000 or more shares existed, or in which a change in the short position of 2,000 or more shares occurred during the month.

The number of issues in which a short interest was reported as of April 28, exclusive of odd-lot dealers short positions, was 624 compared with 664 on March 31.

In the following tabulation is shown the short interest existing at the close of the last business day for the last 12 months:

1943—	Shares
April 30	882,376
May 28	980,047
June 30	879,575
July 30	836,764
Aug. 31	801,321
Sept. 30	761,827
Oct. 29	729,291
Nov. 30	760,166
Dec. 31	737,042
1944—	
Jan. 31	847,335
Feb. 29	960,617
Mar. 31	1,028,489
April 29	1,090,581

Bliss of London Embassy To Confer on Foreign Trade In New York City

John F. Sinnott, Manager of the New York Regional Office of the Department of Commerce, has announced that Don C. Bliss, Jr., Commercial Attache of the United States Embassy at London, England, will visit New York during the period from May 22 to 27 inclusive and will be available for conferences with business men interested in foreign trade, at the Department of Commerce office at 130 West 42nd Street. Mr. Bliss began his foreign service career in Tokyo in 1923, and since then has served as trade commissioner and Commercial Attache in many foreign countries, both in the Far East and Europe. Mr. Bliss has been attached to the London Embassy for the past three years.

Lumber Movement—Week Ended May 6, 1944

According to the National Lumber Manufacturers Association, lumber shipments of 502 mills reporting to the National Lumber Trade Barometer were 3.0% above production for the week ended May 6, 1944. In the same week new orders of these mills were 5% below production. Unfilled order files of the reporting mills amounted to 125% of stocks. For reporting softwood mills, unfilled orders are equivalent to 42 days' production at the current rate, and gross stocks are equivalent to 32 days' production.

For the year-to-date, shipments of reporting identical mills exceeded production by 8.0%; orders by 13.6%.

Compared to the average corresponding week of 1935-39, production of reporting mills was 30.9% greater; shipments were 27.7% greater; and orders were 18.4% greater.

Items About Banks, Trust Companies

At the regular meeting of the Board of Directors of The National City Bank of New York, held May 16, Highland C. Moore was appointed an Assistant Vice-President, and Fred W. Bender, Albert F. Guder and E. Harold Wetsel were appointed Assistant Cashiers.

Marking the further expansion of its commercial banking division the directors of the Morris Plan Industrial Bank of New York announced the election of the following three members to its executive staff: Walter E. Kolb, Vice-President (formerly of Chase Securities Corp., Empire Trust, more recently Vice-President of Colonial Trust in charge of its head office, Rockefeller Center); Howard E. Patten, Assistant Vice-President (formerly with the Clinton Trust Co. and other New York banks), and Cornelius W. Bishop, Assistant Vice-President (formerly on executive staff of The National City Bank and other institutions).

On May 11 the Excelsior Savings Bank of New York celebrated its 75th anniversary. The bank states that since 1869 an uninterrupted payment of dividends has been made, and that it enters its 76th year with deposits over $46,-800,000, the largest in the bank's history.

Allan Sproul, President of the Federal Reserve Bank of New York, announces that the Peoples Bank of Johnstown, N. Y., Johnstown, N. Y., has become a member of the Federal Reserve System effective May 10.

The stockholders of the Anacostia Bank of Washington, D. C., elected three new directors on May 10, expanding the board from 12 to 15 members. At the same time stockholders approved a proposal to increase the capital stock to $200,000 from $100,000, according to the Washington "Post" of May 11, which also said:

"Newly elected directors are: F. Tracy Campbell, hardware dealer and a son of the former President of the Anacostia Bank; Walter F. Fowler, budget officer for the District of Columbia, and C. Bayne Marbury, Treasurer of the Acacia Mutual Life Insurance Co. All other directors were re-elected.

"Directors of the bank met yesterday afternoon and reelected the following officers: W. L. Koontz, President; L. W. Thompson, Vice-President; Irving B. Yochelson, Secretary; Howard I. Beall, Cashier; Allen H. Cannon, Harold W. Ricker and W. W. Young, Assistant Cashiers.

"President Koontz said last night the approval of the capital stock increase is a step toward eventual retirement of the bank's outstanding $92,000 in preferred stock. As of May 9, the bank's deposits totaled $6,250,000, an increase of about 1½ million for the past 12 months."

A news item in the Washington "Post" of May 11 by S. Oliver Goodman reports that consolidation of the East Washington Savings Bank with the National Capital Bank was approved on May 10 by boards of the two institutions. The item also stated in part:

"Until quarters of National Capital Bank are remodeled and enlarged, offices of East Washington Savings will remain temporarily open for business. Eventually, however, the plan of consolidation calls for the housing of both banks in the quarters of National Capital.

"The merger is still subject to ratification by stockholders of both banks. East Washington shareholders will vote on June 7 and National Capital investors will vote on June 9.

"It is understood that after consolidation the board of directors of the emerging institution will be composed of directors of the two former banks. H. H. McKee, President of East Washington, is expected to become Chairman of the Board, and George A. Didden, Jr., President of National Capital, will become head of the merged institutions. All officers and employes of East Washington will become associated with the staff of National Capital, according to Mr. Didden."

The Bank of Brinkley, Brinkley, Ark., became a member of the St. Louis Federal Reserve Bank on May 10, it is learned from the Reserve Bank, which states:

"The new member was chartered in 1903. It has a capital of $50,000, surplus of $33,000 and total resources of $1,604,724. Its officers are: Andrew Flora, President; Frank Andrews, Vice-President; John F. Cole, Cashier, and Robert Moore, Assistant Cashier.

"The addition of the Bank of Brinkley brings the total membership of the Federal Reserve Bank of St. Louis to 465. These member banks hold over 70% of the net deposits of all banking institutions in the Eighth District."

The Board of Governors of the Federal Reserve System announced on May 6 that the Brunswick Bank and Trust Co. of Brunswick, Ga., has been converted into a national bank under the title of the American National Bank of Brunswick.

Associated Press advices from Jacksonville, Fla., May 13 reported that the American National Bank of Pensacola has been acquired by the Alfred I. du Pont estate, controlling factor in the Florida National group banks, it was announced by Edward Ball, a trustee of the du Pont estate. The advices added:

"This raises to 15 the number of banks either acquired or organized by the du Pont estate in 14 years. Their combined statements issued last month disclosed total resources of $259,164,759, Mr. Ball said."

D. C. Armanino, Assistant Cashier and Assistant Secretary of the American Trust Co. of San Francisco has been elected President of the San Francisco Chapter, American Institute of Banking, according to the San Francisco "Chronicle" of April 28, which also said:

"He accepted the gavel from William T. Dunn, Assistant Cashier of Bank of America, retiring President. Wesley P. Johnson, the Bank of California, N. A., was elected First Vice-President; Walter L. Muller, Wells Fargo Bank and Union Trust Co., was elected Second Vice-President; Willard McPherson, Crocker First National Bank, was elected Treasurer and F. Gustavson, Jr., was named Secretary."

V-Mail To Australians Serving in U. S. Domains

Postmaster Albert Goldman announced on May 11 that information has been received from the Post Office Department that arrangements have been made to extend the V-Mail Service to correspondence between Australia and Australian service personnel in the United States or in United States waters, under which the Canadian Airgraph Service, which is in operation between Canada and Australia, will handle both incoming and outgoing V-Mail letters. The announcement states:

"Under this arrangement V-Mail letters sent by Australian service personnel in the United States or its possessions should bear on the outside the name of the addressee and be addressed 'c/o The Canadian Airgraph Service, Toronto, Canada,' no reference to the Australian address being made, while the complete Australian address should be shown in the address panel at the top of the message side with no reference to Canada. Such letters will be subject to the United States domestic rate of three cents which is applicable to mail addressed to Canada, or eight cents if sent by air mail to Canada."

Rubber Control Comm. Dissolved; Plan New Group On Wider Basis

From its London bureau the "Wall Street Journal" of May 2 reported the following:

The Colonial Office announced yesterday the dissolution of the International Rubber Regulation Committee. The agreement, which officially expired at the end of 1943, was extended four months without the resumption of rubber regulations, and expired April 30. Negotiations to set up a new committee on a wider basis, but without regulatory powers, are now in progress.

In commenting on the above the paper indicated said:

The International Rubber Regulation Committee was formed on May 7, 1934, by representatives of the United Kingdom, France, India, the Netherlands and Thailand for themselves and their rubber producing colonial possessions in the Far East.

Its primary purpose was to gear the production of rubber to demand and thus maintain rubber prices. Signatory powers renewed the agreement in 1938.

Since the principal natural rubber producing centers of the world, located in the Far East, were occupied by the Japanese, the rubber committee's operations had become perfunctory.

In the past, despite the fact that the United States was the major consumer of rubber, it had only an advisory voice in the operation of the regulation agreement. Actual voting power was in the hands of the signatories only, with Great Britain and the Netherlands possessing three votes each.

March Cotton Consumption Report

The Census Bureau at Washington on May 15, issued its report showing cotton consumed in the United States, cotton on hand, and active cotton spindles for the month of April.

In the month of April, 1944, cotton consumed amounted to 776,-007 bales of lint and 110,659 bales of linters as compared with 902,-102 bales of lint and 115,502 bales of linters during March this year, and 939,178 bales of lint and 104,-701 bales of linters in April last year.

In the nine months ending with April 30, cotton consumption was 7,580,279 bales of lint and 985,-875 bales of linters compared with 8,439,480 bales of lint and 998,-366 bales of linters in the corresponding period a year ago.

There was 2,221,800 bales of lint and 440,497 bales of linters on hand in consuming establishments on April 30, 1944, which compares with 2,290,201 bales of lint and 475,036 bales of linters on Mar. 31, 1944, and with 2,421,094 bales of lint and 478,845 bales of linters on Apr. 30, 1943.

On hand in public storage and at compresses on Apr. 30, 1944, there were 10,276,595 bales of lint and 88,264 bales of linters, which compares with 10,887,457 bales of lint and 81,347 bales of linters on Mar. 31 and 10,601,339 bales of lint and 79,327 bales of linters on Apr. 30, 1943.

There were 22,411,922 cotton spindles active during Apr., 1944, which compares with 22,568,308 active cotton spindles during Mar., 1944, and with 22,894,718 active cotton spindles during Apr., 1943.

NYSE Borrowings Show Decrease

The New York Stock Exchange announced on May 5 that the total of money borrowed as reported by Stock Exchange member firms as of the close of business April 29, was $696,751,105, a decrease of $50,710,116 below the March 31 total of $747,461,221.

The following is the announcement of the Stock Exchange:

The total of money borrowed from banks, trust companies and other lenders in the United States, excluding borrowings from other members of national securities exchanges: (1) on direct obligations of or obligations guaranteed as to principal or interest by the United States Government, $228,-380,041; (2) on all other collateral, $468,371,064; reported by New York Stock Exchange member firms as of the close of business April 29, 1944, aggregated $696,-751,105.

The total of money borrowed, compiled on the same basis, as of the close of business March 31, 1944, was: (1) on direct obligations of or obligations guaranteed as to principal or interest by the U. S. Government, $260,150,550; (2) on all other collateral, $487,-310,671; total, $747,461,221.

Financial Condition of Motor Carriers Improve

The financial condition of motor carriers improved somewhat in March, although expenses absorbed 96.7% of revenues, according to a report by the American Trucking Associations, Inc., which further adds in part as follows:

Based on reports from 331 motor carriers in 44 states and the District of Columbia, the study showed March revenues increased 9.2% over Feb., while expenses increased 6.9%.

March revenues represented a slight increase of 0.5% over March, 1943, while expenses were 3.7% higher than in March of last year.

The ratio of expenses to revenues was 96.7 in March. The same carriers had operating ratios of 98.8 in Feb. and 93.7 in March of last year.

Of the 331 reporting carriers, 98 whose revenues amounted to almost 30% of the total, suffered operating losses. One hundred sixteen of them showed operating deficits for Feb., and 84 reported losses for March, 1943.

April Construction Contracts Ahead of March

Construction contracts awarded during April were valued at $179,286,000 in the 37 eastern States, according to F. W. Dodge Corporation in a report made public on May 14. This was slightly better than the $176,383,-000 recorded in the previous month but 41% below April, the report said, and added:

"Non-residential building totaled $69,491,000 for the month and was below both March, 1944, and April, 1943, while both residential building and heavy engineering work showed an improvement over the preceding month but were 47% and 56%, respectively, behind April a year ago.

"The largest drop was in the utilities classification which amounted to $31,926,000 this April as compared with $85,841,000 in April, 1943. The second largest drop was in multi-family residential structures which were off $26,021,000 from the $35,280,000 recorded in April last year. These declines were accompanied by an $8,357,000 drop in miscellaneous non-residential buildings and $7,-584,000 in shelter construction of the barracks and temporary dormitory type."

Propper In Post On Nat'l Housing Comm.

The appointment of Henry M. Propper as Executive Vice-Chairman of the National Committee on Housing, 512 Fifth Avenue, was announced on May 14 by Mrs. Samuel I. Rosenman, Chairman. Long active in private and public agencies concerned with housing and city planning, Mr. Propper succeeds the late Gladys LaFetra in the executive direction of the committee's program. At the same time Mrs. Rosenman announced that John F. Toedtman, formerly Executive Secretary of the Dayton, Ohio, Real Estate Board has joined the staff of the committee as Director.

The announcement also says:

"The National Committee on Housing was organized in 1941 by business, trade and professional leaders for the initial purpose of assisting in the emergency created by the critical shortage of homes for war workers. With war housing demands well over the peak in most areas, the Committee has devoted itself increasingly to post-war housing and planning problems. It is serving as a coordinating center for national trade, professional and public efforts in these fields and is assisting cities to study and evaluate their need for homes and to prepare post-war programs.

"Recently Mr. Propper served as Administrative Assistant to the Commissioner in the New York State Division of Housing.

"He has been actively identified with housing organizations, being one of the organizers, and until this year Secretary, of the Citizens' Housing Council of New York, as well as a member of its board and executive committee."

Business Failures Higher

April business failures were higher in both number and amount of liabilities involved than in March, 1944. Business insolvencies in April, according to Dun & Bradstreet, Inc., totaled 131 and involved $3,524,000 liabilities, as compared with 96 involving $1,460,000 in March and 362 involving $3,523,000 in April a year ago.

The increase in the number of failures and the amounts involved in April over March took place in all the divisions of trade into which the report is divided with the execption of the Commercial Service Group which had the same number of failures in April as in March but which had smaller liabilities involved.

Manufacturing failures last month numbered 37, involving $2,676,000 liabilities, compared with 28 in March with $801,000 liabilities. Wholesale failures increased from 5 to 9 and the liabilities from $68,000 in March to $135,000 in April. In the retail trade section insolvencies were up from 43 to 56 and liabilities from $303,000 in March to $338,000 in April. Construction failures numbered 20 with $318,000 liabilities in April, which compares with 11 with $115,000 liabilities in March. Commercial service failures numbered nine in April, the same as in March, but liabilities involved in April were lowered to $57,000 from $173,000 in March.

When the country is divided into Federal Reserve Districts, it is seen that the Richmond, Minneapolis and Dallas Reserve Districts did not have any failures in April, the Boston and Cleveland Reserve Districts had the same number in April as in March, the Atlanta and Kansas City Reserve Districts had fewer failures, while all of the remaining districts had more failures in April than in March. When the amount of liabilities involved is considered it is found that outside of the districts that did not report any failures, only the Boston and San Francisco Reserve Districts had fewer liabilities involved in April than in March.